AIA Group Limited
友邦保險控股有限公司

Interim Report 2011

Stock code: 1299

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MAY 2011

STRONG PROFITABLE GROWTH CONTINUES

The Board of Directors of AIA Group Limited (stock code: 1299) is pleased to announce the Group's unaudited consolidated financial results for the six months ended 31 May 2011 (the Period).

The main highlights are:

Strong growth in Value of New Business (VONB) – our key performance measure

- VONB up 32 per cent to US$399 million (1H 2010: US$303 million)
- New business margin increased 2.3 percentage points (pps), to 36.0 per cent (1H 2010: 33.7 per cent)
- Total Annualised New Premium (ANP) up 23 per cent to US$1,094 million (1H 2010: US$887 million)

Focus on shareholder value creation continued

- Embedded value (EV) operating profit grew 25 per cent to US$1,515 million (1H 2010: US$1,209 million)
- EV up 11 per cent over the half to US$27,394 million, from US$24,748 million as at 30 November 2010

Robust IFRS performance

- IFRS Net Profit up 24 per cent to US$1,314 million (1H 2010: US$1,057 million)
- Operating Profit After Tax up 8 per cent to US$967 million (1H 2010: US$899 million)
- Shareholders' Equity grew 8 per cent over the half to US$21,141 million, from US$19,555 million as at 30 November 2010

Strong capital position

- Solvency ratio on the Hong Kong Insurance Companies Ordinance (ICO) basis of 356 per cent up from 337 per cent as at 30 November 2010

First interim dividend payment

- Interim dividend of 11 Hong Kong cents per share
- If conditions remain as expected, the 2011 interim dividend would represent approximately one-third of the 2011 full-year dividend. Any final dividend remains subject to Board recommendation and shareholder approval at the Annual General Meeting.

Commenting on the half year results, Mark Tucker, AIA's Group Chief Executive and President, said:

"AIA's strong performance across all of our key financial performance measures demonstrates the excellent progress we have made in executing our growth strategy.

"AIA's record-breaking performance reflects the Group's success across the region in building its Premier Agency sales force and boosting agent productivity, focusing on helping meet the savings and protection needs of its customers, improving customer experience and retention and on developing new and deepening existing relationships with bank partners.

"We are pleased to declare our first dividend since our listing last October – an interim dividend of 11 Hong Kong cents per share. This dividend payment reflects the strong cash flow inherent in AIA's business. We are confident in our ability to maintain a prudent and progressive dividend, in addition to being able to self-finance our strong new business growth.

"AIA is a story of growth in the most dynamic region of the world. Asia has been our home for over ninety years and it remains the most attractive place in the world to do business given the long term economic outlook and demographic trends which fuel the region's savings and protection needs.

"The scale of our franchise, our financial strength, our motivated staff and agents, our product innovation and pan-regional expertise are some of the competitive strengths we can deploy to create value from this Asian opportunity. We are highly confident about AIA's ongoing growth in Asia."

About AIA Group Limited

AIA Group Limited and its subsidiaries comprise the largest independent publicly listed pan-Asian life insurance group in the world. It has wholly-owned main operating subsidiaries or branches in 14 markets in Asia Pacific – Hong Kong, Thailand, Singapore, Malaysia, China, Korea, the Philippines, Australia, Indonesia, Taiwan, Vietnam, New Zealand, Macau and Brunei and a 26% joint venture shareholding in India.

The business that is now AIA was first established in Shanghai over 90 years ago. It is a market leader in the Asia Pacific region (ex-Japan) based on life insurance premiums, and holds leading positions across the majority of its markets. It has total assets of US$115,782 million as of 31 May 2011.

AIA meets the savings and protection needs of individuals by offering a comprehensive suite of products and services including retirement planning, life insurance and accident and health insurance. The Group also provides employee benefits, credit life and pension services to corporate clients. Through an extensive network of more than 230,000 agents and approximately 20,000 employees across Asia Pacific, AIA serves the holders of over 23 million individual policies and over 10 million participating members of group schemes.

AIA Group Limited is listed on the Main Board of The Stock Exchange of Hong Kong Limited under the stock code “1299” with American Depositary Receipts (Level 1) being traded on the OTC market (ticker symbol: “AAGIY”).

FINANCIAL HIGHLIGHTS

Key Performance Metrics

US$ millions, unless otherwise stated	Six months ended 31 May 2011	Six months ended 31 May 2010	YoY%
New business value			
Value of new business (VONB)	399	303	32%
VONB margin	36.0%	33.7%	2.3 pps
Annualised new premium (ANP)	1,094	887	23%
Embedded Value			
EV operating profit	1,515	1,209	25%
Non-operating items	638	(251)	n/m
Total EV profit	2,153	958	125%
Value of in-force[(1)]	16,753	15,224	10%
Adjusted net worth[(1)]	10,641	9,524	12%
Embedded value[(1)]	27,394	24,748	11%
Basic EV earnings per share (US cents)	17.9	8.0	125%
EV per share (US cents)	227	205	11%
IFRS			
Total Weighted Premium Income (TWPI)	6,765	6,022	12%
Operating profit before tax	1,210	1,134	7%
Operating profit after tax[(2)]	967	899	8%
Net profit	1,314	1,057	24%
Shareholders' equity[(1)(2)]	21,141	19,555	8%
IFRS Earnings per Share			
– Basic (US cents per share)	11	9	24%
– Diluted (US cents per share)	11	9	24%
– Dividends (Hong Kong cents per share)	11	–	n/m
ICO solvency ratio[(1)]	356%	337%	19 pps

(1) Comparatives for balance sheet items are shown at 30 November 2010
(2) Attributable to shareholders of AIA Group Limited

Value of New Business (VONB) by Geography

US$ millions, unless otherwise stated	Six months ended 31 May 2011 VONB	Six months ended 31 May 2011 VONB Margin (%)	Six months ended 31 May 2010 VONB	Six months ended 31 May 2010 VONB Margin (%)	VONB growth (%)
Hong Kong	121	52.2%	95	54.6%	27%
Thailand	101	45.4%	67	37.1%	51%
Singapore	78	65.1%	49	59.3%	59%
Malaysia	22	32.5%	19	30.4%	16%
China	44	40.6%	30	33.1%	47%
Korea	42	28.0%	39	26.9%	8%
Other Markets	44	21.7%	46	28.9%	(4)%
Sub total	**452**	**40.9%**	**345**	**38.4%**	**31%**
Adjustment to reflect Hong Kong reserving and capital requirements	(24)	n/m	(21)	n/m	n/m
After-tax value of unallocated group office expenses	(29)	n/m	(21)	n/m	n/m
Total	**399**	**36.0%**	**303**	**33.7%**	**32%**

Notes:

(1) A presentation for analysts and investors, hosted by Mark Tucker, Group Chief Executive and President, was held on 29 July 2011. An audio cast of the presentation and presentation slides are available on AIA's website:

http://investors.aia.com/phoenix.zhtml?c=238804&p=irol-presentations

(2) The results attributable to our interest in our joint venture in India are not reflected in TWPI, ANP or VONB. For our Other Markets reporting segment, India is accounted for using the equity method.

(3) Balance sheet items such as embedded value and shareholders' equity are shown as at 30 November 2010 for comparison purposes.

(4) TWPI consists of 100 per cent of renewal premiums, 100 per cent of first year premiums and 10 per cent of single premiums.

(5) ANP represents 100 per cent of annualised first year premiums and 10 per cent of single premiums.

(6) ANP and VONB margin exclude corporate pension business.

(7) VONB includes corporate pension business.

(8) All figures are presented in actual reported currency (US dollar) unless stated otherwise.

(9) Growth is shown on a year-on-year basis unless stated otherwise.

(10) Hong Kong refers to operations in Hong Kong and Macau; Singapore refers to operations in Singapore and Brunei; and Other Markets refer to operations in Australia, the Philippines, Indonesia, Vietnam, Taiwan and New Zealand.

(11) The amounts of VONB attributable to non-controlling interests in the first half of 2011 and 2010 were US$1.6 million and US$1.0 million respectively.

(12) IFRS operating profit after tax, net profit and shareholders' equity are shown after non-controlling interests unless otherwise stated.

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FINANCIAL REVIEW

AIA continues to deliver strong growth in new business and excellent performance on all of its key measures.

Growth and value creation

VONB grew by 32 per cent for the Period when compared to the same period in 2010 to US$399 million driven by increases in both volume and margin. Margins increased to 36.0 per cent from 33.7 per cent. ANP grew by 23 per cent to US$1,094 million from US$887 million. The momentum regained in the fourth quarter of 2010 continued in the first half of 2011 and the strong growth in VONB reflects our strategic focus on bottom line profitability.

EV operating profit grew by 25 per cent for the Period to US$1,515 million. This strong performance was a result of an increased expected return from a higher opening EV to US$1,038 million, a higher VONB of US$399 million and positive operating experience variances of US$78 million. Each of these components of operating profit increased materially over the same period last year.

EV rose to US$27,394 million at 31 May 2011, an increase of 11 per cent from 30 November 2010. The growth in EV primarily reflected the 25 per cent growth in EV operating profit, positive investment return variances of US$541 million led by strong equity markets, and US$590 million of positive foreign exchange and other gains.

IFRS profit and equity

Net profit for the Period increased by 24 per cent compared to the same period last year to US$1,314 million. Operating profit after tax (OPAT) increased 8 per cent to US$967 million. Shareholders' equity increased to US$21,141 million at 31 May 2011 from US$19,555 million at 30 November 2010.

Solvency capital and dividend

At 31 May 2011 the total available regulatory capital for AIA Co was US$6,955 million, resulting in a solvency ratio of 356 per cent under the ICO basis. This increase was driven by higher retained earnings and positive capital market movements. The business units of AIA paid US$964 million of dividends and capital remittances to the Group.

The Board of Directors has approved an interim dividend of 11 Hong Kong cents per share. If conditions remain as expected, the 2011 interim dividend would represent approximately one-third of the 2011 full-year dividend. Any final dividend remains subject to Board recommendation and shareholder approval at the Annual General Meeting.

Outlook

Asia remains the most dynamic region for our industry with a combination of favourable demographic trends and positive long-term economic drivers that benefit our business on a number of levels.

Global risk appetite has fallen as sovereign debt and banking sector stability in North America and Europe remain a key concern. Volatility has increased and there are clearly further challenges along the road. Despite an uncertain market backdrop, AIA has delivered a strong financial performance across the Asian region over the first half of the year. Asia remains highly attractive, particularly on a relative basis and the fundamentals for the future economic growth of Asian markets are very much intact.

New Business Growth

VALUE OF NEW BUSINESS (VONB) AND VONB MARGINS BY SEGMENT

US$ millions, unless otherwise stated	Six months ended 31 May 2011 VONB	Six months ended 31 May 2011 VONB Margin	Six months ended 31 May 2010 VONB	Six months ended 31 May 2010 VONB Margin	% VONB growth
Hong Kong	121	52.2%	95	54.6%	27%
Thailand	101	45.4%	67	37.1%	51%
Singapore	78	65.1%	49	59.3%	59%
Malaysia	22	32.5%	19	30.4%	16%
China	44	40.6%	30	33.1%	47%
Korea	42	28.0%	39	26.9%	8%
Other Markets	44	21.7%	46	28.9%	(4)%
Sub total	**452**	**40.9%**	**345**	**38.4%**	**31%**
Adjustment to reflect Hong Kong reserving and capital requirements	(24)	n/m	(21)	n/m	n/m
After-tax value of unallocated group office expenses	(29)	n/m	(21)	n/m	n/m
Total	**399**	**36.0%**	**303**	**33.7%**	**32%**

VONB for the Period increased by US$96 million, or 32 per cent compared to the same period last year to US$399 million. ANP for the Period increased 23 per cent and VONB margin improved to 36.0 per cent from 33.7 per cent. VONB growth was broad based and particularly strong in all our largest markets.

The increase in margin was driven by improved product and channel mix (+3.1 pps) reflecting execution on our product and distribution initiatives over the Period, positive changes to geographic mix (+0.9 pps) less a negative impact from assumptions and other changes (-1.7 pps) compared to the same period last year. Economic assumptions are unchanged since 30 November 2010.

VONB of US$399 million is shown after deductions of US$24 million for additional HKICO reserving and capital requirements and US$29 million for unallocated group office expenses.

Acquisition expense overruns totalled US$20 million in the Period, down by two-thirds compared to the same period in 2010. This reflects higher volumes and our focus on expense control.

ANNUALISED NEW PREMIUMS (ANP) BY SEGMENT

US$ millions, unless otherwise stated	Six months ended 31 May 2011	Six months ended 31 May 2010	YoY%
Hong Kong	223	165	35%
Thailand	223	181	23%
Singapore	120	82	46%
Malaysia	67	61	10%
China	109	92	18%
Korea	149	146	2%
Other Markets	203	160	27%
Total	**1,094**	**887**	**23%**

ANP exceeded the US$1 billion mark in the first half of 2011 on the back of our strongest ever first and second quarters. ANP grew 23 per cent to US$1,094 million. ANP growth was particularly strong in agency distribution, with most markets growing active agents and productivity.

Embedded Value (EV)

EV operating profit for the Period was US$1,515 million, an increase of 25 per cent on the same period last year. EV operating profit reflects higher VONB of US$399 million, US$1,038 million from the increased expected return form a higher opening EV and positive operating experience variances of US$78 million.

EV increased 11 per cent to US$27,394 million at 31 May 2011, compared with US$24,748 million at 30 November 2010. In addition to EV operating profit, the growth in EV included positive investment return variances of US$541 million mainly due to strong equity markets plus US$493 million from foreign exchange gains.

EV includes Adjusted Net Worth (ANW) and Value of In-Force (VIF). The ANW increased from US$9,524 million at 30 November 2010 to US$10,641 million at 31 May 2011, after deducting US$6,960 million of additional reserves for the ICO basis compared to the local statutory basis.

After the cost of holding required capital, VIF increased 10 per cent to US$16,753 million at 31 May 2011, compared with US$15,224 million at 30 November 2010. Undiscounted projected after-tax distributable earnings of US$10,222 million are expected to emerge from the second half of 2011 through to 2015.

EV includes a deduction of US$3,074 million to reflect additional HKICO reserving and capital requirements and the after-tax value of unallocated group office expenses.

An analysis of the movements in EV is as follows:

US$ millions, unless otherwise stated	Six months ended 31 May 2011 ANW	VIF	EV
Opening Embedded Value	**9,524**	**15,224**	**24,748**
Value of new business	(371)	770	399
Expected return on EV	1,297	(259)	1,038
Operating experience variances	(28)	106	78
Operating assumption changes	–	–	–
EV operating profit	**898**	**617**	**1,515**
Investment return variances	174	367	541
Effect of changes in economic assumptions	–	–	–
Other non-operating variances	5	92	97
Total EV profit	**1,077**	**1,076**	**2,153**
Capital/dividend movements	–	–	–
Effect of changes in exchange rates	40	453	493
Closing Embedded Value	**10,641**	**16,753**	**27,394**

US$ millions, unless otherwise stated	Six months ended 31 May 2010 ANW	VIF	EV
Opening Embedded Value	**7,765**	**13,200**	**20,965**
Value of new business	(300)	603	303
Expected return on EV	1,246	(311)	935
Operating experience variances	(80)	31	(49)
Operating assumption changes	(82)	102	20
EV operating profit	**784**	**425**	**1,209**
Investment return variances	(417)	287	(130)
Effect of changes in economic assumptions	–	(29)	(29)
Other non-operating variances	(160)	68	(92)
Total EV profit	**207**	**751**	**958**
Capital/dividend movements	–	–	–
Effect of changes in exchange rates	84	(29)	55
Closing Embedded Value	**8,056**	**13,922**	**21,978**

IFRS

IFRS OPERATING PROFIT BEFORE TAX (OPBT)

US$ millions, unless otherwise stated	Six months ended 31 May 2011	Six months ended 31 May 2010	YoY%
Hong Kong	398	423	(6)%
Thailand	293	243	21%
Singapore	186	200	(7)%
Malaysia	82	69	19%
China	67	56	20%
Korea	85	91	(7)%
Other Markets	142	114	25%
Corporate and Other	(43)	(62)	n/m
Total	**1,210**	**1,134**	**7%**

The Group's OPBT for the Period increased 7 per cent to US$1,210 million.

This includes a negative one-off of US$4 million in the first half of 2011. The first half of 2010 included positive one-offs of US$56 million mainly relating to positive reserves experience including the release of a provision that was no longer required. Growth in underlying OPBT was 13% excluding these one-offs.

IFRS OPERATING PROFIT AFTER TAX ATTRIBUTABLE TO SHAREHOLDERS OF AIA (OPAT)

US$ millions, unless otherwise stated	Six months ended 31 May 2011	Six months ended 31 May 2010	YoY%
Hong Kong	372	399	(7)%
Thailand	205	170	21%
Singapore	155	159	(3)%
Malaysia	65	52	25%
China	59	39	51%
Korea	64	69	(7)%
Other Markets	101	87	16%
Corporate and Other	(54)	(76)	n/m
Total	**967**	**899**	**8%**

The Group's OPAT for the Period increased 8 per cent to US$967 million, largely attributable to the growth in OPBT as discussed above, while our effective tax rate applicable to operating profit was broadly stable. The significant increase in OPAT from China (51 per cent) compared to OPBT (20 per cent) was due to a one-time tax provision of US$14 million relating to changes in Chinese accounting standards in the first half of 2010.

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF AIA (NET PROFIT)

US$ millions, unless otherwise stated	Six months ended 31 May 2011	Six months ended 31 May 2010	YoY%
Hong Kong	542	411	32%
Thailand	336	343	(2)%
Singapore	195	195	–
Malaysia	71	60	18%
China	16	(1)	n/m
Korea	97	75	29%
Other Markets	104	86	21%
Corporate and Other	(47)	(112)	n/m
Total	**1,314**	**1,057**	**24%**

Net profit for the Period increased 24 per cent to US$1,314 million, reflecting the growth in operating profit described above and the increase in the non-operating investment return to US$462 million in the first six months of 2011 from US$265 million in the same period in 2010. The 'Corporate and Other' line benefited from higher investment income on additional capital held at the corporate centre following transfers to the Group over 2010.

TOTAL WEIGHTED PREMIUM INCOME (TWPI)

US$ millions, unless otherwise stated	Six months ended 31 May 2011	Six months ended 31 May 2010	YoY%
Hong Kong	1,431	1,340	7%
Thailand	1,397	1,222	14%
Singapore	910	796	14%
Malaysia	454	390	16%
China	609	519	17%
Korea	1,016	989	3%
Other Markets	948	766	24%
Total	**6,765**	**6,022**	**12%**

TWPI increased by 12 per cent to US$6,765 million, reflecting growth in all our markets. TWPI tends to lag the growth in new business premium due to our large in-force block of regular premium business, which generates substantial renewal premiums and forms the majority of TWPI. Persistency continued to strengthen to 94.5 per cent at the end of the Period from 93.6 per cent last year.

Management considers that TWPI provides an indicative volume measure of the transactions undertaken during the reporting period that have the potential to generate profits for shareholders.

INVESTMENT INCOME (EXCLUDING INVESTMENT-LINKED CONTRACTS)

US$ millions, unless otherwise stated	Six months ended 31 May 2011	Six months ended 31 May 2010	YoY%
Interest income	1,770	1,561	13%
Dividend income	159	122	30%
Rental income	37	35	6%
Total investment income	**1,966**	**1,718**	**14%**
Investment experience	462	265	74%
Total investment return	**2,428**	**1,983**	**22%**

Investment income in the Period increased 14 per cent to US$1,966 million, mainly reflecting a higher level of invested assets at the start of the Period.

Interest income for the Period increased 13 per cent to US$1,770 million, mainly reflecting an increase in holdings of debt securities from the growth of our in-force portfolio and an increase in shareholders' equity. An increase in dividend income of 30 per cent was mainly driven by a higher allocation of equities at the end of 2010 as reported at the full year results.

Our investment experience for the Period grew by 74 per cent to US$462 million, resulting mainly from favourable equity market performance.

OPERATING EXPENSES

US$ millions, unless otherwise stated	Six months ended 31 May 2011	Six months ended 31 May 2010	YoY%
Operating expenses	**617**	**525**	**18%**

Operating expenses for the Period increased 18 per cent to US$617 million from US$525 million in the same period last year, resulting in an increase in our operating expense ratio to 9.1 per cent in the Period, from 8.7 per cent in the first half of 2010. The increase was mainly due to the reintroduction of performance incentive plans for staff from 2010 that were restricted in some previous years.

IFRS SENSITIVITIES

Included in Note 20 to the Interim Financial Statements are sensitivities to profit before tax and net assets for foreign exchange rate, interest rate, and equity risk.

Earnings Per Share (EPS)

EPS for the Period increased to 11 US cents per share from 9 US cents per share on a pro forma basis for the same period in 2010.

EPS based upon OPAT for the Period increased to 8 US cents per share from 7 US cents per share on a pro forma basis in the same period in 2010.

A summary of EPS is as follows:

EARNINGS PER SHARE – BASIC

	Net Profit		OPAT	
	Six months ended 31 May 2011	**Six months ended 31 May 2010**	**Six months ended 31 May 2011**	**Six months ended 31 May 2010**
Profit (US$m)	1,314	1,057	967	899
Number of shares (millions)	12,044	12,044	12,044	12,044
Basic earnings per share (US cents per share)	**11**	**9**	**8**	**7**

EARNINGS PER SHARE – DILUTED

	Net Profit		OPAT	
	Six months ended 31 May 2011	**Six months ended 31 May 2010**	**Six months ended 31 May 2011**	**Six months ended 31 May 2010**
Profit (US$m)	1,314	1,057	967	899
Number of shares (millions)	12,044	12,044	12,044	12,044
Diluted earnings per share (US cents per share)	**11**	**9**	**8**	**7**

Balance Sheet

Consolidated Statement of Financial Position

US$ millions, unless otherwise stated	As at 31 May 2011	As at 30 November 2010
Assets		
Financial investments	94,846	88,798
Investment property	822	828
Cash and cash equivalents	3,465	2,595
Invested assets	**99,133**	**92,221**
Deferred acquisition and origination costs	12,761	12,006
Assets - other than the above	3,888	3,638
Total assets	**115,782**	**107,865**
Less liabilities		
Insurance and investment contract liabilities	88,424	82,296
Borrowings	556	597
Liabilities - other than the above	5,572	5,337
Less total liabilities	**94,552**	**88,230**
Total equity	**21,230**	**19,635**
Less non-controlling interests	89	80
Total equity attributable to shareholders of AIA Group Limited	**21,141**	**19,555**

ASSETS

Total assets grew 7 per cent to US$115,782 million at 31 May 2011, primarily reflecting growth in financial investments, the majority of which are carried at fair value, and favourable currency movements.

Cash and cash equivalents increased to US$3,465 million at 31 May 2011, compared with US$2,595 million at 30 November 2010.

Deferred acquisition and origination costs increased to US$12,761 million at 31 May 2011 compared with US$12,006 million at 30 November 2010.

LIABILITIES

Total liabilities increased 7 per cent to US$94,552 million at 31 May 2011. Insurance and investment contract liabilities increased to US$88,424 million at 31 May 2011 compared with US$82,296 million at 30 November 2010, reflecting the growth of the in-force portfolio and foreign exchange movements.

EQUITY – MOVEMENT IN SHAREHOLDERS' EQUITY OF AIA

US$ millions, unless otherwise stated	Six months ended 31 May 2011	Twelve months ended 30 November 2010	Six months ended 31 May 2010
Opening Shareholders' Equity	**19,555**	**14,908**	**14,908**
Net profit	1,314	2,701	1,057
Fair value (losses)/gains on assets	(69)	1,386	564
Foreign currency translation	341	567	19
Other	–	(7)	(1)
Total movement in shareholders' equity	**1,586**	**4,647**	**1,639**
Closing Shareholders' Equity	**21,141**	**19,555**	**16,547**

Shareholders' equity increased 8 per cent to US$21,141 million at 31 May 2011 compared to US$19,555 million at 30 November 2010. This increase was made up primarily of net profits of US$1,314 million, decreases in the fair value reserves totalling US$69 million and increases in foreign currency translation reserves of US$341 million.

Invested Assets

The carrying value of our invested assets, including financial investments, investment property and cash and cash equivalents, increased to US$99,133 million at 31 May 2011 compared with US$92,221 million at 30 November 2010. Invested assets comprise assets held in respect of policyholders and shareholders as well as investment-linked contracts.

Details of the investment mix are as follows:

Policyholder and shareholder

US$ millions, unless otherwise stated	As at 31 May 2011	%	As at 30 November 2010	%
Participating funds				
Government and government agency bonds	5,827	7%	5,307	7%
Corporate bonds and structured securities	8,320	10%	7,890	10%
Loans and deposits	1,105	1%	986	1%
Sub total – Fixed income	**15,252**	**18%**	**14,183**	**18%**
Equities	3,570	5%	3,219	4%
Cash	272	–	173	–
Derivatives	505	1%	327	–
Investment property	12	–	11	–
Sub-total participating funds	**19,611**	**24%**	**17,913**	**22%**
Other policyholder and shareholder				
Government and government agency bonds	27,271	33%	25,622	34%
Corporate bonds and structured securities	21,709	27%	21,291	28%
Loans and deposits	3,080	4%	2,684	4%
Sub total – Fixed income	**52,060**	**64%**	**49,597**	**66%**
Equities	6,071	7%	5,311	7%
Cash	2,551	3%	1,927	3%
Derivatives	485	1%	448	1%
Investment property	810	1%	817	1%
Sub-total other policyholder and shareholder	**61,977**	**76%**	**58,100**	**78%**
Total Policyholder and shareholder	**81,588**	**100%**	**76,013**	**100%**

Investment-linked contracts

US$ millions, unless otherwise stated	As at 31 May 2011	%	As at 30 November 2010	%
Investment-linked contracts				
Debt securities	2,334	13%	2,097	13%
Loans and deposits	121	1%	92	1%
Equities	14,448	82%	13,524	83%
Cash	642	4%	495	3%
Total Investment-linked contracts	**17,545**	**100%**	**16,208**	**100%**

Total invested assets

US$ millions, unless otherwise stated	As at 31 May 2011	%	As at 30 November 2010	%
Total policyholder and shareholder	81,588	82%	76,013	82%
Total investment-linked contracts	17,545	18%	16,208	18%
Total Invested assets	**99,133**	**100%**	**92,221**	**100%**

Invested assets held in respect of policyholders and shareholders increased to US$81,588 million during the Period compared with US$76,013 million at 30 November 2010.

Fixed income investments, including debt securities, loans, and term deposits, held in respect of policyholders and shareholders, totalled US$67,312 million at 31 May 2011 compared with US$63,780 million at 30 November 2010.

Consistent with prior periods, government and government agency bonds represented 49 per cent of our fixed income investments at 31 May 2011 compared with 48 per cent at 30 November 2010. Corporate bonds and structured securities accounted for 45 per cent of fixed income investments at 31 May 2011, compared with 46 per cent at 30 November 2010.

Equity securities held in respect of policyholders and shareholders totalled US$9,641 million at 31 May 2011, compared with US$8,530 million at 30 November 2010. The increase in carrying value was attributable to new purchases as well as an increase in market value. Out of the equity securities total US$3,570 million is held in participating funds.

Cash and cash equivalents held in respect of policyholders and shareholders totalled US$2,823 million at 31 May 2011 compared to US$2,100 million at 30 November 2010.

Invested assets held in respect of investment-linked contracts totalled US$17,545 million at 31 May 2011 compared to US$16,208 million at 30 November 2010.

Capital

FREE SURPLUS GENERATION

The Group's free surplus at 31 May 2011 represented the excess of adjusted net worth over the required capital. Free surplus was US$5,821 million at 31 May 2011, reflecting free surplus generated of US$1,414 million, US$515 million of investment in new business growth, and US$70 million of unallocated group office expenses over the half.

The following table shows the change in free surplus:

US$ millions, unless otherwise stated	Six months ended 31 May 2011	Twelve months ended 30 November 2010
Opening free surplus	**4,992**	**4,011**
Free surplus generated	1,414	2,107
Free surplus used to fund new business	(515)	(958)
Unallocated group office expenses	(70)	(168)
Closing free surplus	**5,821**	**4,992**

NET FUNDS TO GROUP

Our business units declared dividends and capital remittances of US$964 million for the Period, compared with US$173 million for the same period last year. Our working capital comprises debt and equity securities, dividends receivable from subsidiaries, and cash and cash equivalents held centrally. Working capital was US$3,063 million at 31 May 2011 compared with US$2,153 million at 30 November 2010.

A summary of movements in the working capital is as follows:

US$ millions, unless otherwise stated	Six months ended 31 May 2011	Twelve months ended 30 November 2010	Six months ended 31 May 2010
Opening working capital	**2,153**	**885**	**885**
Corporate and Other segment net loss	(47)	(140)	(110)
Capital flows from business units:			
Hong Kong	571	585	(3)
Thailand	204	346	29
Singapore	–	400	–
Malaysia	115	90	90
China	–	(25)	(25)
Other Markets	74	99	82
Net funds remitted to Group	**964**	**1,495**	**173**
Repayment of borrowings from AIG	–	(50)	–
Other changes in working capital	(7)	(37)	(30)
Closing working capital	**3,063**	**2,153**	**918**

Regulatory Capital

The Group's primary insurance regulator is the Hong Kong Office of the Commissioner of Insurance (HKOCI). The Group's principal operating company is AIA Co, a Hong Kong domiciled insurer. At 31 May 2011, the total available regulatory capital of AIA Co increased to US$6,955 million as measured under the ICO. This places AIA Co in a strong capital position with a solvency ratio of 356 per cent of the minimum regulatory capital requirement.

A summary of the total regulatory capital and solvency ratios of AIA Co is as follows:

US$ millions, unless otherwise stated	As at 31 May 2011	As at 30 November 2010
Total Available Regulatory Capital	6,955	6,207
Regulatory Minimum Required Capital (100%)	1,956	1,844
Solvency Ratio (%)	356%	337%

AIA has given an undertaking to the HKOCI that it will maintain a solvency ratio of not less than 150 per cent in each of AIA Co and AIA-B. The Group's individual branches and subsidiaries are also subject to supervision. This means that local operating units, including branches and subsidiaries, must meet the regulatory capital requirements of their local prudential regulators. The various regulators overseeing the Group's branches and subsidiaries actively monitor their capital position. The local operating units were in compliance with the capital requirements of their respective local regulators in each of our geographical markets at 31 May 2011.

Credit Ratings

At 31 May 2011, AIA Co had published financial strength ratings of AA- (Very Strong) from Standard & Poor's.

Dividends

The Board of Directors has declared an interim dividend of 11 Hong Kong cents per share.

BUSINESS REVIEW

AIA has delivered record growth in the first half of 2011, through relentless execution of the strategic priorities we laid out at the start of the year.

Distribution

AGENCY DISTRIBUTION

AIA's tied agency force is our major distribution channel, contributing 78 per cent of the Group's total VONB and 72 per cent of the Group's total ANP for the Period. Our key distribution priority in 2011 is to continue building the Premier Agency force in Asia, with an emphasis on maximising the quality and number of active agents we manage. We have made substantial progress so far with agency VONB up 42 per cent over the Period and ANP volumes up 28 per cent compared with the same period in 2010.

Strategic Initiatives

To ensure delivery of our distribution strategy we focused on a number of fundamental strategic initiatives and set Key Performance Indicators (KPIs) around these initiatives for our local Chief Agency Officers (CAOs) to manage and deliver on.

We launched agency reactivation programmes across the region and we stepped up the enforcement of contract maintenance requirements to ensure agents remain productive. We also reduced a number of agents that did not meet our minimum sales criteria.

We are targeting high quality new recruits that fit the entrepreneurial and professional profile required by our Premier Agency approach. Our new recruitment programmes increased the number of new agents recruited over the Period by 11 per cent compared to the same period last year. This was driven by new and higher recruitment standards across the region combined with focused training programmes to support the improved productivity of new agents.

We continue to use Million Dollar Round Table (MDRT) as the benchmark for Premier Agency. Building on last year's 29 per cent growth in the number of MDRT qualifiers, we have continued to support our agency force in achieving our 2011 MDRT targets. We are currently exceeding the run rate of potential qualifiers compared to the same period last year.

Our focus on these initiatives has delivered strong results over the Period with agency productivity up by 17 per cent per active agent and the number of active agents up by 9 per cent when compared to the same period in 2010. This has contributed significantly to the 42 per cent VONB growth reported by agency for the first half of the year and sets the foundation for future growth.

The Group is committed to the development of the Premier Agency distribution strategy and will continue to measure its success in terms of sustainable profitable growth for shareholders.

PARTNERSHIP DISTRIBUTION

During the Period, we focused on developing our major regional partnerships and improving the productivity of our existing operations. Partnership distribution overall has shown steady progress, both in bancassurance and direct marketing.

Bancassurance

We have concentrated on improving bancassurance VONB generation by increasing the proportion of regular premium sales and protection business within the product mix sold via our bank partners and by re-pricing lower margin legacy products. This has helped drive strong growth in the overall bancassurance channel, with VONB up 18 per cent during the Period.

Continuing our regional partnership strategy, we launched successful bancassurance operations with ANZ in Hong Kong, Singapore and Indonesia, and signed agreements to launch in new territories. We also achieved encouraging results through our bancassurance arrangements with Citibank in Singapore, Korea, Thailand, Australia and Taiwan. Our existing agreements in the Philippines and Indonesia in particular contributed to the strong VONB growth over the Period.

Direct Marketing

Direct marketing is an important channel for AIA in select markets where it reinforces our distribution platform. Our largest direct market platform is in Korea, where we continue to revamp our products as well as introduce new initiatives with our partners.

In the Philippines we are partnering with a direct marketing platform to improve efficiency and in Thailand an increased number of partners and improved call centres have driven ANP up 88 per cent for the Period. We have re-priced low margin products and remain focused on campaigns to recruit quality telesales representatives (TSRs) in order to boost sales and VONB.

We will continue to develop new partnerships over the second half of the year and improve the profitability of our existing relationships.

GROUP INSURANCE

We are a trusted provider to both local and international companies as they expand across Asia Pacific. We serve more than 100,000 corporate clients with more than 10 million participating members. We have a regional footprint, made stronger by the recent agreement with an international employees' benefits network to provide support services and products to multinational companies. We also set up a strategic distribution alliance in March with Citibank (Hong Kong) to offer its customers our comprehensive range of Mandatory Provident Fund (MPF) products and services.

In the first half of 2011, we focused on expanding our sales capability to capture the growth opportunity for Group Insurance in Asia. In particular, we launched intensive training programmes to increase the number of existing agents selling Group Insurance products in targeted markets. The number of agents selling a Group Insurance policy in Hong Kong increased by 74 per cent over the Period. In Singapore, AIA remains one of the top Group Insurance providers, with around 40 per cent of our agents having sold at least one Group Insurance policy to their customers over the Period. Our number of agents in Singapore selling a Group Insurance policy increased by 24 per cent over the Period.

Our strategy of selling Group Insurance through our Premier Agency channel serving the small-and-medium sized enterprise (SME) sector will provide further opportunities for AIA.

Marketing

Our marketing focus for the first half of the year has been on strengthening our position as a leader in the protection insurance category, helping our customers close the protection gap which we estimate to be around US$20 trillion across our markets (excluding India). We have also launched our next generation of investment-linked products (ILPs) recently, offering flexible investment and protection benefits.

ENHANCED PROTECTION FOR OUR CUSTOMERS

We have concentrated our efforts on offering affordable protection benefits tailored to the needs of specific customer segments and markets. In Singapore, we launched flexible health plans to help customers manage increasing healthcare costs. In Hong Kong, we launched our new *Asset Whole Life Plus* plan, which is an ILP with a high protection element, while our new *Super Good Health Medical Plan* provides comprehensive medical coverage for a limited premium. In China, our award-winning comprehensive protection plan, *All-in-One*, continued to generate strong sales.

IMPROVING THE CUSTOMER EXPERIENCE

AIA has built a significant regional customer base with 23 million in-force policies under management generating 40 million customer contacts per year. A deep understanding of this large and varied customer base allows us to extend our relationships and address the changing needs of new and existing customers. This information is now being factored into specific training programmes for our existing and new agents to make sure the customer is at the centre of our proposition.

In the first half of this year, we launched our Customer Experience Transformation programme. The programme evaluates the interactions customers have with AIA and allows us to focus on improving the most important ones. This initiative is expected to deliver increased overall VONB growth for the long term, together with improved customer persistency.

Geographical Markets

HONG KONG

US$ millions, unless otherwise stated	Six months ended 31 May 2011	Six months ended 31 May 2010	YoY%
ANP	223	165	35%
VONB(1)	121	95	27%
VONB margin(2)	52.2%	54.6%	(2) pps
TWPI	1,431	1,340	7%
Operating profit before tax	398	423	(6)%

VONB performance
Hong Kong is AIA's home market and its largest business, accounting for 27 per cent of the Group's total VONB for the Period. The business sustained the strong momentum seen in 2010 into the first half of 2011, with VONB up 27 per cent to US$121 million compared with the same period last year. This was achieved by leveraging the AIA brand through targeted marketing activities around the protection gap, and by designing new products to meet customer demand and cement our position as a leader in protection insurance.

VONB margin
Margin was down 2 pps during the Period to 52.2 per cent compared with the first half of 2010, despite the strong 35 per cent growth in ANP volume, and was up materially from the 37.5 per cent level reported in the fourth quarter of 2010. The reduction in margin relative to the first half of 2010 was due to continued demand from customers for relatively lower margin ILPs over the first quarter of 2011 as equity markets performed well compared with the same period last year. Momentum improved in the second quarter of this year, with margin up 5 pps compared with the first quarter.

Products
New products launched during the Period include enhanced rider and comprehensive protection products, such as the new *Super Good Health Medical Plan*. Our new *Asset Whole Life Plus* plan is an ILP with a high protection element. Existing products were re-priced where there were opportunities for margins to be improved. A series of campaigns focused on the protection gap and a realignment of agency remuneration reflecting customer needs improved the product mix over the Period.

Distribution
Under our Premier Agency strategy we offer agents best-in-class training and point-of-sale technology with a view to improving productivity and activity. We launched an agency reactivation programme in the first half and also took action to remove agents who did not meet productivity standards. This, combined with a focused recruitment strategy, increased productivity by 20 per cent. The number of MDRT potential qualifiers during the Period was running at a higher rate than in the same period in 2010.

Operating profit
Operating profit before tax fell 6 per cent to US$398 million, partly due to slightly higher than normal claims and lower investment income following capital transfers to the Group. A one-off positive adjustment of US$20 million in the first half of 2010 relating to positive reserves experience also impacted the comparison.

THAILAND

US$ millions, unless otherwise stated	Six months ended 31 May 2011	Six months ended 31 May 2010	YoY%
ANP	223	181	23%
VONB[1]	101	67	51%
VONB margin[2]	45.4%	37.1%	8 pps
TWPI	1,397	1,222	14%
Operating profit before tax	293	243	21%

VONB performance
Our business in Thailand reported strong growth for the Period with VONB up 51 per cent to US$101 million. The key strengths of our Thai business include our strong brand, our large and highly trained agency force that has extensive experience in selling protection products and our state-of-the-art administration platform.

VONB margin
Margin for the Period grew 8 pps to 45.4 per cent. The significant margin uplift was driven by product re-pricing, elimination of low margin products and a positive shift in product mix using ongoing targeted marketing campaigns. ANP for the Period grew 23 per cent to US$223 million.

Products
We continued to focus on our protection business. To help our customers bridge their protection gap we intend to launch additional protection products in the second half of the year.

Distribution
Agency is a key competitive advantage for AIA in Thailand and remains our core channel for driving sales and profitability. We have launched Premier Agency initiatives with a focus on increased productivity through training and development. These initiatives are in conjunction with reactivation programmes which together helped active agent productivity increase 20 per cent over the Period.

Operating profit
Operating profit before tax for the Period rose 21 per cent to US$293 million, driven primarily by increased TWPI of 14 per cent compared with the first half of 2010.

SINGAPORE

US$ millions, unless otherwise stated	Six months ended 31 May 2011	Six months ended 31 May 2010	YoY%
ANP	120	82	46%
VONB[(1)]	78	49	59%
VONB margin[(2)]	65.1%	59.3%	6 pps
TWPI	910	796	14%
Operating profit before tax	186	200	(7)%

VONB performance
Singapore had a strong first half driven by new product launches, increased agency training and targeted sales campaigns focusing on protection sales. VONB for the Period rose 59 per cent compared with the same period last year to US$78 million.

VONB margin
The strong VONB performance was helped by the margin increase of 6 pps to 65.1 per cent. The 46 per cent increase in ANP to US$120 million came from strong growth in term life insurance and ILP sales that were built upon a number of successful ongoing marketing campaigns.

Products
We re-designed and re-launched Accident and Health (A&H) products during the Period to meet customer demand. In February 2011, we launched our *Solitaire Personal Accident* plan, which provides financial assistance for the costs associated with accidental injuries, disability and death. The plan was designed to complement customers' existing medical insurance plans. Our new *Enhanced HealthShield Gold Max* plan was aimed at helping customers manage increasing out-of-pocket health care costs. These innovative products helped our agents and bank partners better address our customers' protection gap.

Distribution
During the first half of 2011, we strengthened our agency force through targeted recruitment and new agent training. We tailored sales promotion activities to drive agency sales of Group Insurance solutions and protection products. Agency productivity increased 17 per cent for the Period. The opening of a new service centre in Singapore's largest residential area reinforced our commitment to customers.

Our regional partnerships with ANZ and Citibank delivered encouraging results. We reported strong growth in bancassurance ANP and VONB by increasing the productivity of our existing partnership agreements.

Operating profit
Operating profit before tax for the Period decreased 7 per cent to US$186 million. The decline was due to a positive one-off adjustment of US$29 million in the same period in 2010 mainly from the release of a provision that was no longer required.

MALAYSIA

US$ millions, unless otherwise stated	Six months ended 31 May 2011	Six months ended 31 May 2010	YoY%
ANP	67	61	10%
VONB[(1)]	22	19	16%
VONB margin[(2)]	32.5%	30.4%	2 pps
TWPI	454	390	16%
Operating profit before tax	82	69	19%

VONB performance
VONB for the Period rose 16 per cent to US$22 million. The increase in profitability over the Period was driven by improvements in product margin from product re-pricing and an ongoing focus on shifting the product mix towards ILPs. A programme to reactivate and improve agency productivity saw a significant improvement in momentum in the second quarter, with VONB up 30 per cent compared to the same quarter last year.

VONB margin
Margin over the Period increased by 2 pps to 32.5 per cent, while ANP increased by 10 per cent to US$67 million. We continued the shift towards ILPs and increased training for our sales force in order to meet customer needs better and to optimise the sales potential of these products.

Products
We continued re-pricing the product portfolio, with particular attention paid to improving the margin on our personal accident business. A number of low margin products were withdrawn, leaving a broad suite with a focus on ILP products.

Our Malaysian Takaful joint venture, in which we have a 70 per cent stake, was launched in January this year. We have released a range of Takaful products including investment-linked and protection plans for multiple distribution channels. We have provided comprehensive training programmes for Takaful agents and leaders and we are also actively developing the bancassurance and direct marketing Takaful business. While the business is still in the early stages of development, we have laid a solid foundation for its future since the granting of the operating licence.

Distribution
Our distribution strategy in the first six months focused on increasing agency productivity and re-energising the sales force as we aim towards our Premier Agency goals. We are seeing early improvements, with productivity increasing during the Period. We implemented new training programmes focusing on selling ILPs with rider benefits to increase the protection component of our business. We also removed a number of unproductive agents while continuing to recruit selectively to improve the overall quality of the sales force. The quality of the business continues to improve, with LIMRA 19 month persistency increasing to 91.5 per cent.

Operating profit
Operating profit before tax for the Period rose 19 per cent to US$82 million, mainly driven by a 16 per cent increase in TWPI.

CHINA

US$ millions, unless otherwise stated	Six months ended 31 May 2011	Six months ended 31 May 2010	YoY%
ANP	109	92	18%
VONB(1)	44	30	47%
VONB margin(2)	40.6%	33.1%	8 pps
TWPI	609	519	17%
Operating profit before tax	67	56	20%

VONB performance
Our 100 per cent ownership structure and geographical presence in all four of the China's largest insurance markets allowed AIA to deliver strong results. China is our fourth largest market in terms of VONB, which increased during the Period by 47 per cent to US$44 million. The key drivers of the performance were a dual focus on our Premier Agency strategy, in particular the large-scale training and development of our agents, and improving protection sales.

VONB margin
Margin over the Period rose 8 pps to 40.6 per cent, driven by the combination of increased agency activity and the launch of new products with embedded protection. ANP increased by 18 per cent to US$109 million.

Product
The success of our award-winning *All-in-One* plan, launched in the second half of 2010, continued into the first half of 2011. The innovative plan offered middle income customers a comprehensive protection package covering death, disability, critical illness and long-term care.

Distribution
Agency activity and productivity were our focus in China, with the launch of an intensive agent development programme across all our territories that helped raise our number of active agents by 38 per cent over the Period compared with the same period in 2010. The quality of the in-force book remains high, with in-force persistency continuing to improve.

Operating profit
Operating profit before tax for the first half rose 20 per cent to US$67 million compared with the same period last year, driven by a 17 per cent increase in TWPI.

KOREA

US$ millions, unless otherwise stated	Six months ended 31 May 2011	Six months ended 31 May 2010	YoY%
ANP	149	146	2%
VONB(1)	42	39	8%
VONB margin(2)	28.0%	26.9%	1 pp
TWPI	1,016	989	3%
Operating profit before tax	85	91	(7)%

VONB performance
Korea made steady progress during the Period, with VONB up 8 per cent to US$42 million. In the first half we put in place a new executive team that is helping to build our local Premier Agency force, focusing on reducing the expense overrun by right-sizing the business and beginning to launch new products for our direct marketing and bancassurance channels.

VONB margin
Margin improved during the Period by 1 pp, with ANP up 2 per cent to US$149 million.

Products
Our protection focus was driven by rider campaigns in addition to standalone A&H, using the protection gap theme. Agency A&H sales were up 240 per cent in the second quarter compared with the same quarter last year as a result. We continued to improve our product mix through new product launches and the re-pricing and withdrawal of less profitable products. We broadened the product suite in our bank channels to include higher margin annuities and protection products.

Distribution
Targeted recruitment and improved engagement with our sales force boosted agency activity. The new agent activity ratio, which is a measure of recruitment quality, increased during the Period by 32 per cent compared with the same period last year. This illustrates the calibre of the agents being hired under our Premier Agency strategy. Productivity continued to improve, rising 11 per cent during the Period compared with the first half of last year. The run rate of eligible MDRT qualifiers during the Period exceeded that seen in the same period last year. Korea represents our largest direct marketing platform. We continued to re-design and launch new products in this channel as well as introduce new initiatives with our partners.

Operating profit
Operating profit before tax was down 7 per cent compared with the same period last year to US$85 million, reflecting a one-off positive in 2010 of US$7 million.

OTHER MARKETS

US$ millions, unless otherwise stated	Six months ended 31 May 2011	Six months ended 31 May 2010	YoY%
ANP	203	160	27%
VONB[(1)]	44	46	(4)%
VONB margin[(2)]	21.7%	28.9%	(7) pps
TWPI	948	766	24%
Operating profit before tax	142	114	25%

Other Markets collectively refers to our operations in Australia, the Philippines, Indonesia, Vietnam, Taiwan, and New Zealand. India's financial results are included in operating profit on an equity accounted basis.

VONB performance
VONB for the Period decreased by 4 per cent compared with the same period last year to US$44 million. The Philippines and Vietnam delivered strong VONB growth over the Period. This was offset by Australia, where the comparative figures for the first half of 2010 benefitted from large Group Insurance schemes.

VONB margin
Margin for the Period fell to 21.7 per cent from 28.9 per cent for the same period in 2010. Margin reduced partly due to a lower margin in Indonesia. ANP increased by 27 per cent to US$203 million.

Country performance

- **Vietnam:** VONB and margin increased significantly over the Period. The improvement was driven by strong sales growth, increasing average case size and a shift in focus towards higher margin product categories; for example our newly launched health products. The number of new recruits in the Period increased 27 per cent over the same period last year.

- **Indonesia:** Significant sales of ILPs accounted for the majority of the increase in VONB, with agency productivity improving significantly. Bancassurance grew strongly, with a focus on high quality regular premium business. Margin reduced partly due to a higher projected tax cost.

- **The Philippines:** Similar to Indonesia, the ILP business was responsible for the majority of new business growth, with bancassurance the main driver.

- **Australia:** New business volumes over the Period showed a year-on-year decrease with large volumes written in the first half of 2010 reflecting the uneven timing of premium receipts from large group schemes.

- **New Zealand:** The business saw a strong uplift in margin and volumes over the first half compared with the same period last year, with growth driven by the Iwi (Maori) sector.

Operating profit
Operating profit before tax for Other Markets increased by 25 per cent to US$142 million. The increase came from improved results in India and increased TWPI.

Notes:
Throughout the Geographical Markets section:

(1) VONB in the tables is based on local statutory reserving and capital requirements and includes corporate pension business.

(2) VONB margin excludes corporate pension business to be consistent with the definition of ANP used within the calculation.

(3) Productivity changes are shown in local currency, unless otherwise stated.

RISK MANAGEMENT

There have been no material changes during the Period in the way that risk is managed and governed within the Group.

For further information on the Group's approach to risk, please refer to the 'Risk Management' section of our 2010 Annual Report on pages 48 to 55.

CORPORATE GOVERNANCE

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 31 May 2011, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code save as disclosed below:

(i) Code Provision A.2.1 of the Corporate Governance Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

On 1 January 2011, Group Chief Executive and President Mr. Mark Tucker, relinquished the role of Group Executive Chairman and Mr. Edmund Sze Wing Tse assumed the role of Non-executive Chairman. Accordingly, since 1 January 2011, the Company has been in compliance with Code Provision A.2.1.

(ii) Code Provision A.4.1 of the Corporate Governance Code provides that the Non-executive Directors should be appointed for a specific term, subject to re-election. Mr. Jeffrey Joy Hurd and Mr. Jay Steven Wintrob, both being Non-executive Directors of the Company, were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company.

The Company has also adopted its own Directors' and Chief Executives' Dealing Policy on terms no less exacting than those set out in the Model Code in respect of dealings by the Directors in the securities of the Company. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Directors' and Chief Executives' Dealing Policy throughout the six months ended 31 May 2011.

UPDATED INFORMATION OF DIRECTORS

Changes in the Directors' information since the date of the Company's 2010 annual report are set out below:

Name of Director	Change
Edmund Sze Wing Tse *Non-executive Chairman and Non-executive Director*	Re-designated from an independent non-executive director to a non-executive director of PCCW Limited with effect from 22 March 2011

Director's updated biographies are available on the Company's website.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 31 May 2011, the following are the persons, other than the Directors or Chief Executive, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the Securities and Futures Ordinance (SFO):

Name of shareholder	**Number of shares held** Long Position (L) Short Position (S) Lending Pool (P)	Class	**Percentage of the total number of shares in issue** Long Position (L) Short Position (S) Lending Pool (P)	Capacity
AIA Aurora LLC	3,960,769,201(L)	Ordinary	32.89(L)	Beneficial owner Note 1
American International Group, Inc.	3,960,769,201(L)	Ordinary	32.89(L)	Interest of controlled corporation Note 1
United States Department of the Treasury	3,960,769,201(L)	Ordinary	32.89(L)	Interest of controlled corporation Note 1
Citigroup Inc.	1,083,128,432(L) 6,083,940(S) 3,703,592(P)	Ordinary	8.99(L) 0.05(S) 0.03(P)	Note 2
Citigroup Financial Products Inc.	1,074,197,000(L) 856,100(S)	Ordinary	8.92(L) 0.01(S)	Note 3
Citigroup Global Markets Holdings Inc.	1,074,197,000(L) 856,100(S)	Ordinary	8.92(L) 0.01(S)	Note 3
Citigroup Global Markets (International) Finance AG	1,074,077,000(L) 856,100(S)	Ordinary	8.92(L) 0.01(S)	Note 4
Citigroup Global Markets Asia Limited	1,054,334,400(L)	Ordinary	8.75(L)	Interest of controlled corporation
Citigroup Global Markets Hong Kong Holdings Limited	1,054,334,400(L)	Ordinary	8.75(L)	Interest of controlled corporation
Citigroup Global Markets Overseas Finance Limited	1,054,334,400(L)	Ordinary	8.75(L)	Interest of controlled corporation
Goldman Sachs (Asia) Corporate Holdings L.P.	1,054,334,400(L)	Ordinary	8.75(L)	Interests held jointly with another person
Goldman Sachs Holdings (Hong Kong) Limited	1,054,334,400(L)	Ordinary	8.75(L)	Interests held jointly with another person
The Goldman Sachs Group, Inc.	1,054,334,400(L) 1,054,334,400(S)	Ordinary	8.75(L) 8.75(S)	Note 5

Notes:

(1) AIA Aurora LLC (Aurora) is an entity controlled by American International Group, Inc. (AIG), which is in turn controlled by the United States Department of the Treasury (USDT). Accordingly, the interests of each of AIG and USDT are indirect interests in the 3,960,769,201 shares held by Aurora.

(2) The interests held by Citigroup Inc. were held in the following capacities:

Capacity	Number of shares (Long position)	Number of shares (Short position)
Interests held jointly with another person	1,054,334,400	–
Interest of controlled corporation	10,009,240	6,083,940
Custodian corporation/approved lending agent	3,703,592	–
Security interest in shares	15,081,200	–

(3) The interests held by each of Citigroup Financial Products Inc. and Citigroup Global Markets Holdings Inc. were held in the following capacities:

Capacity	Number of shares (Long position)	Number of shares (Short position)
Interest of controlled corporation	1,059,115,800	856,100
Security interest in shares	15,081,200	–

(4) The interests held by Citigroup Global Markets (International) Finance AG were held in the following capacities:

Capacity	Number of shares (Long position)	Number of shares (Short position)
Interest of controlled corporation	1,058,995,800	856,100
Security interest in shares	15,081,200	–

(5) The interests held by The Goldman Sachs Group, Inc. were held in the following capacities:

Capacity	Number of shares (Long position)	Number of shares (Short position)
Interests held jointly with another person	1,054,334,400	–
Interest of controlled corporation	–	1,054,334,400

Save as disclosed above, as at 31 May 2011, no other person, other than the Directors and Chief Executive, whose interests are set out in the section 'Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares' below, was recorded to hold any interests or short positions in the shares or underlying shares of the Company that were required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 31 May 2011, the Directors' and the Chief Executive's interests and short positions in the shares and underlying shares of the Company and its associated corporations as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code are as follows:

(i) Interests and short positions in the shares and underlying shares of the Company

Name of Director	Number of shares held	Class	Percentage of the total number of shares in issue	Capacity
Mark Edward Tucker	344,000(L)	Ordinary	0.01	Beneficial owner
Sir Chung-Kong (CK) Chow	50,000(L)	Ordinary	< 0.01	Beneficial owner

(ii) Interests and short positions in the shares and underlying shares of associated corporations

Name of Director	Associated Corporation	Number of shares held	Class	Percentage of the total number of shares in issue	Capacity
Edmund Sze Wing Tse	PhilamLife	1(L)	Ordinary	<0.01	Trustee

PURCHASE, SALE AND REDEMPTION OF THE SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 May 2011.

SHARE-BASED INCENTIVE SCHEMES

Restricted Share Unit Scheme

Under the Restricted Share Unit Scheme adopted by the Company on 28 September 2010, the Company may grant restricted share unit awards to employees, directors (excluding independent non-executive directors) or officers of the Company or any of its subsidiaries. The objectives of the Restricted Share Unit Scheme are to retain participants, align their interests with those of the Company's investors, and incentivise the creation of value for shareholders through the award of shares or share units to participants.

During the six months ended 31 May 2011, no restricted share unit award was granted by the Company under the Restricted Share Unit Scheme.

Share Option Scheme

Under the Share Option Scheme adopted by the Company on 28 September 2010, the Company may grant options to purchase shares at a price not less than the market value at the date of grant to employees, directors (excluding independent non-executive directors) or officers of the Company or any of its subsidiaries. The objectives of the Share Option Scheme are to align participants' interests with those of the Company's shareholders by allowing participants to share in the value created at the point they exercise their options.

During the six months ended 31 May 2011, no option was granted by the Company under the Share Option Scheme.

FINANCIAL STATEMENTS

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AIA GROUP LIMITED

(incorporated in Hong Kong with limited liability)

羅兵咸永道

INTRODUCTION

We have reviewed the interim condensed consolidated financial information set out on pages 30 to 65, which comprises the interim consolidated statement of financial position of AIA Group Limited (the Company) and its subsidiaries (together, the Group) as at 31 May 2011 and the related interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 'Interim Financial Reporting' (HKAS 34) issued by the Hong Kong Institute of Certified Public Accountants or International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance HKAS 34 and IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information is not prepared, in all material respects, in accordance with HKAS 34 and IAS 34.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 July 2011

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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INTERIM CONSOLIDATED INCOME STATEMENT

US$m	Notes	Six months ended 31 May 2011 (unaudited)	Six months ended 31 May 2010
Revenue			
Turnover			
Premiums and fee income		**6,058**	5,339
Premiums ceded to reinsurers		**(280)**	(226)
Net premiums and fee income		**5,778**	5,113
Investment return	7	**3,120**	2,053
Other operating revenue		**54**	37
Total revenue		**8,952**	7,203
Expenses			
Insurance and investment contract benefits		**5,984**	4,677
Insurance and investment contract benefits ceded		**(222)**	(163)
Net insurance and investment contract benefits		**5,762**	4,514
Commission and other acquisition expenses		**770**	660
Operating expenses		**617**	525
Restructuring and separation costs		**18**	18
Investment management expenses		**93**	48
Finance costs		**7**	4
Change in third party interests in consolidated investment funds		**(1)**	(12)
Total expenses	8	**7,266**	5,757
Profit before share of profit/(loss) from associates		**1,686**	1,446
Share of profit/(loss) from associates		**5**	(8)
Profit before tax		**1,691**	1,438
Income tax expense attributable to policyholders' returns		**(57)**	(70)
Profit before tax attributable to shareholders' profits		**1,634**	1,368
Tax expense	9	**(372)**	(376)
Tax attributable to policyholders' returns		**57**	70
Tax expense attributable to shareholders' profits		**(315)**	(306)
Net profit		**1,319**	1,062
Net profit attributable to:			
Shareholders of AIA Group Limited		**1,314**	1,057
Non-controlling interests		**5**	5
Earnings per share (US$)			
Basic and diluted	10	**0.11**	0.09

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US$m	**Six months ended 31 May 2011 (unaudited)**	Six months ended 31 May 2010
Net profit	**1,319**	1,062
Fair value (losses)/gains on available for sale financial assets (net of tax of: six months period ended 31 May 2011 (unaudited): US$67m; six months period ended 31 May 2010: US$(210)m)	**(51)**	619
Fair value gains on available for sale financial assets transferred to income on disposal and impairment (net of tax of: six months period ended 31 May 2011 (unaudited): US$1m; six months period ended 31 May 2010: US$nil)	**(23)**	(53)
Foreign currency translation adjustments	**342**	18
Other comprehensive income	**268**	584
Total comprehensive income	**1,587**	1,646
Total comprehensive income attributable to:		
Shareholders of AIA Group Limited	**1,586**	1,640
Non-controlling interests	**1**	6

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$m	Notes	**As at 31 May 2011 (unaudited)**	As at 30 November 2010 (restated and unaudited)
Assets			
Intangible assets		**265**	252
Investments in associates		**65**	69
Property, plant and equipment		**442**	433
Investment property		**822**	828
Reinsurance assets		**766**	614
Deferred acquisition and origination costs		**12,761**	12,006
Financial investments:	12		
Loans and deposits		**4,306**	3,762
Available for sale			
Debt securities		**47,918**	45,829
At fair value through profit or loss			
Debt securities		**17,543**	16,378
Equity securities		**24,089**	22,054
Derivative financial instruments	13	**990**	775
		94,846	88,798
Deferred tax assets		**4**	2
Current tax recoverable		**28**	29
Other assets		**2,318**	2,239
Cash and cash equivalents	15	**3,465**	2,595
Total assets		**115,782**	107,865
Liabilities			
Insurance contract liabilities		**78,813**	73,205
Investment contract liabilities		**9,611**	9,091
Borrowings	16	**556**	597
Obligations under repurchase agreements	17	**1,200**	1,091
Derivative financial instruments	13	**26**	29
Provisions		**186**	200
Deferred tax liabilities		**1,803**	1,754
Current tax liabilities		**308**	287
Other liabilities		**2,049**	1,976
Total liabilities		**94,552**	88,230

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

US$m	Notes	**As at 31 May 2011 (unaudited)**	As at 30 November 2010 (restated and unaudited)
Equity			
Issued share capital	18	**12,044**	12,044
Share premium		**1,914**	1,914
Other reserves		**(12,117)**	(12,117)
Retained earnings		**15,238**	13,924
Fair value reserve		**2,845**	2,914
Foreign currency translation reserve		**1,217**	876
Amounts reflected in other comprehensive income		**4,062**	3,790
Total equity attributable to:			
Shareholders of AIA Group Limited		**21,141**	19,555
Non-controlling interests		**89**	80
Total equity		**21,230**	19,635
Total liabilities and equity		**115,782**	107,865

Approved and authorised for issue by the board of directors on 29 July 2011.

Mark Edward Tucker	**Edmund Sze Wing Tse**
Director	*Director*

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US$m	Issued share capital and share premium	Other reserves	Retained earnings	Fair value reserve	Foreign currency translation reserve	Non-controlling interests	Total equity
Balance at 1 December 2009	13,958	(12,110)	11,223	1,528	309	51	14,959
Net profit	–	–	1,057	–	–	5	1,062
Fair value gains on available for sale financial assets	–	–	–	617	–	2	619
Fair value gains on available for sale financial assets transferred to income on disposal and impairment	–	–	–	(53)	–	–	(53)
Foreign currency translation adjustments	–	–	–	–	19	(1)	18
Acquisition of subsidiary	–	–	–	–	–	3	3
Share based compensation	–	(1)	–	–	–	–	(1)
Balance at 31 May 2010	13,958	(12,111)	12,280	2,092	328	60	16,607
Balance at 1 December 2010	**13,958**	**(12,117)**	**13,924**	**2,914**	**876**	**80**	**19,635**
Net profit	**–**	**–**	**1,314**	**–**	**–**	**5**	**1,319**
Fair value losses on available for sale financial assets	**–**	**–**	**–**	**(46)**	**–**	**(5)**	**(51)**
Fair value gains on available for sale financial assets transferred to income on disposal and impairment	**–**	**–**	**–**	**(23)**	**–**	**–**	**(23)**
Foreign currency translation adjustments	**–**	**–**	**–**	**–**	**341**	**1**	**342**
Dividends	**–**	**–**	**–**	**–**	**–**	**(2)**	**(2)**
Capital contributions	**–**	**–**	**–**	**–**	**–**	**10**	**10**
Balance at 31 May 2011 – (unaudited)	**13,958**	**(12,117)**	**15,238**	**2,845**	**1,217**	**89**	**21,230**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows presented in this statement cover all the Group's activities and include flows from investment-linked contracts, participating funds, and shareholder activities.

US$m	Notes	**Six months ended 31 May 2011 (unaudited)**	Six months ended 31 May 2010
Cash flows from operating activities			
Profit before tax		**1,691**	1,438
Adjustments for non-cash operating items		**(499)**	(1,376)
Tax paid		**(298)**	(177)
Net cash provided by/(used in) operating activities		**894**	(115)
Net cash used in investing activities		**(55)**	(58)
Net cash used in financing activities		**(29)**	(7)
Net increase/(decrease) in cash held		**810**	(180)
Cash and cash equivalents at beginning of the financial period		**2,595**	3,405
Effect of exchange rate changes on cash		**60**	(3)
Cash and cash equivalents at end of the financial period	15	**3,465**	3,222

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

AIA Group Limited (the Company) was established as a company with limited liability incorporated in Hong Kong on 24 August 2009. The address of its registered office is 35/F, AIA Central, 1 Connaught Road, Central, Hong Kong.

AIA Group Limited and its subsidiaries (collectively 'the AIA Group' or 'the Group') is a life insurance based financial services provider operating in 15 jurisdictions throughout the Asia Pacific region. The Group's principal activity is the writing of life insurance business, providing life, pensions and accident and health insurance throughout Asia, and distributing related investment and other financial services products to its customers.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The interim consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting and Hong Kong Accounting Standard (HKAS) 34, Interim Financial Reporting. Hong Kong Financial Reporting Standards (HKFRS) is substantially consistent with International Financial Reporting Standards (IFRS) and the accounting policy selections that the Group has made in preparing these interim consolidated financial statements are such that the Group is able to comply with both IFRS and HKFRS. References to IFRS, IAS and Interpretation developed by the International Financial Reporting Interpretation Committee (IFRIC) in these interim consolidated financial statements should be read as referring to the equivalent HKFRS, HKAS and Hong Kong (IFRIC) Interpretations (HK (IFRIC) – Int) as the case may be. Accordingly, there are no differences of accounting practice between IFRS and HKFRS affecting these interim consolidated financial statements. The interim consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 November 2010.

The accounting policies adopted are consistent with those of the previous financial year, except as described below. In addition, the Group reclassified receivables of US$1,100m to other assets in the consolidated statement of financial position as of 30 November 2010 to be consistent with current period presentation. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

(a) New and amended standards adopted by the Group

Amendments to IAS 17, Leases: Classification of leases of land and buildings. Before the amendments, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepayments in the consolidated statement of financial position. The amendments to IAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to IAS 17, the Group reassessed the classification of unexpired leasehold land as at 31 May 2011 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepayments on leasehold land to property, plant and equipment or investment property on retrospective basis. This resulted in prepayments on leasehold land with the carrying amounts of US$115m and US$519m as at 30 November 2010 being reclassified to property, plant and equipment and investment property respectively. The application of the amendments to IAS 17 has not affected the measurement of reported net income or equity.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

(a) New and amended standards adopted by the Group (continued)

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 December 2010 and have no material impact for the Group:

- Amendments to IFRS 8, Operating Segments: Disclosure of information about segment assets;
- Amendments to IAS 7, Statement of Cash Flows: Classification of expenditure on unrecognised assets;
- Amendments to IAS 36, Impairment of Assets: Unit of accounting for goodwill impairment test;
- Amendment to IAS 1, Presentation of Financial Statements, Clarification of statement of changes in equity;
- Amendments to IFRS 2, Share-based payments, Group cash-settled share-based payment transactions;
- Amendments to IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations: Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations;
- Amendments to IFRS 3, Business Combinations, Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS, Measurement of non-controlling interests, Un-replaced and voluntarily replaced share-based payment awards;
- Amendments to IAS 27, Consolidated and Separate Financial Statements, Transition requirements for amendments arising as a result of IAS 27; and
- IAS 18, Determining whether an entity is acting as a principal or as an agent.

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 December 2010 and have not been early adopted:

- IFRS 9, Financial Instruments;
- IAS 24, Related Party Disclosures, Revised definition of related parties;
- Amendments to IFRS 7, Financial Instruments: Disclosures, Clarification of disclosures;
- Amendments to IAS 34, Interim Financial Reporting, Significant Events and Disclosure;
- Amendments to IAS 12, Income Taxes, Recovery of underlying assets;
- Amendments to IFRS 7, Financial Instruments: Disclosures, Enhancing disclosures about transfers of financial assets;
- IFRS 10, Consolidated Financial Statements;
- IFRS 11, Joint Arrangements;
- IFRS 12, Disclosure of Interests in Other Entities;
- IFRS 13, Fair Value Measurement; and
- Amendment to IFRIC Int-14, Prepayments of a minimum funding requirement.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgement on estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates.

The interim consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The interim consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs.

The interim consolidated financial statements are unaudited, but have been reviewed by PricewaterhouseCoopers in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. PricewaterhouseCoopers' independent review report to the Board of Directors is included on page 29.

The financial statements relating to the financial year ended 30 November 2010 that is included in the interim consolidated financial statements as being previously reported information does not constitute the Group's statutory financial statements for this financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 February 2011.

The interim consolidated financial statements have been approved for issue by the Board of Directors on 29 July 2011.

Items included in the interim consolidated financial statements of each of the Group's entities are measured in the currency of the primary economic environment in which that entity operates (the functional currency). The interim consolidated financial statements are presented in millions of US Dollars (US$m) unless otherwise stated, which is the Company's functional currency, and the presentation currency of the Group.

3. EXCHANGE RATES

The Group's principal overseas operations during the reporting period were located within the Asia Pacific region. The results and cash flows of these operations have been translated into US Dollars at the following average rates:

	US dollar exchange rates		
	Six months ended 31 May 2011	**Year ended 30 November 2010**	**Six months ended 31 May 2010**
Hong Kong	**7.78**	7.77	7.77
Thailand	**30.25**	31.94	32.76
Singapore	**1.24**	1.37	1.40
China	**6.50**	6.79	6.83
Malaysia	**3.02**	3.24	3.33
Korea	**1,084.60**	1,156.07	1,146.79

Assets and liabilities have been translated at the following period end rates:

	US dollar exchange rates		
	As at 31 May 2011	**As at 30 November 2010**	**As at 31 May 2010**
Hong Kong	**7.78**	7.77	7.79
Thailand	**30.31**	30.22	32.56
Singapore	**1.23**	1.32	1.40
China	**6.48**	6.68	6.83
Malaysia	**3.01**	3.16	3.30
Korea	**1,078.75**	1,160.09	1,194.74

Exchange rates are expressed in units of local currency per US$1.

4. OPERATING PROFIT BEFORE TAX

Operating profit before tax may be reconciled to net profit as follows:

US$m	Notes	**Six months ended 31 May 2011 (unaudited)**	Six months ended 31 May 2010
Operating profit before tax	6	**1,210**	1,134
Non-operating investment return:			
Investment experience		**1,076**	304
Investment income related to investment-linked contracts		**78**	31
Investment management expenses related to investment-linked contracts		**(24)**	(7)
Corresponding changes in insurance and investment contract liabilities for investment-linked contracts		**(556)**	44
Corresponding changes in insurance contract liabilities for participating funds		**(101)**	(119)
Corresponding changes in third party interests in consolidated investment funds		**1**	12
Other investment management expenses		**(12)**	–
Non-operating investment return		**462**	265
Other non-operating items:			
Changes in insurance and investment contract liabilities for policyholders' tax on operating profit before tax		**37**	57
Restructuring and separation costs		**(18)**	(18)
Non-operating items		**481**	304
Profit before tax		**1,691**	1,438
Tax on operating profit before tax		**(238)**	(230)
Tax on non-operating items		**(97)**	(89)
Other non-operating tax items:			
Policyholders' tax on operating profit before tax		**(37)**	(57)
Tax expense		**(372)**	(376)
Net profit		**1,319**	1,062
Operating profit before tax		**1,210**	1,134
Tax on operating profit before tax		**(238)**	(230)
Operating profit after tax		**972**	904
Operating profit after tax attributable to:			
Shareholders of AIA Group Limited		**967**	899
Non-controlling interests		**5**	5

Non-operating items consist of restructuring and separation costs of US$18m (six months ended 31 May 2010: US$18m) for the six months ended 31 May 2011. Restructuring costs represent costs related to restructuring programmes and are primarily comprised of redundancy and contract termination costs. Separation costs are those significant and identifiable costs related to the Group's separation from AIG.

5. TOTAL WEIGHTED PREMIUM INCOME AND ANNUALISED NEW PREMIUMS

For management decision making and internal performance management purposes, the Group measures business volume during the period using a performance measure referred to as total weighted premium income (TWPI), while the Group measures new business activity using a performance measure referred to as annualised new premiums (ANP). Both measures are reported gross of reinsurance ceded.

TWPI consists of 100% of renewal premiums, 100% of first year premiums and 10% of single premiums and includes deposits and contributions for contracts that are accounted for as deposits in accordance with the Group's accounting policies.

Management considers that TWPI provides an indicative volume measure of transactions undertaken in the reporting period that have the potential to generate profits for shareholders. The amounts shown are not intended to be indicative of premium and fee income recorded in the consolidated income statement.

ANP is a key internal measure of new business activities, which consists of 100% of annualised first year premium and 10% of single premium. ANP excludes renewal premiums and first year premiums are reported on an annualised basis.

TWPI US$m	**Six months ended 31 May 2011 (unaudited)**	Six months ended 31 May 2010
TWPI by geography		
Hong Kong	**1,431**	1,340
Thailand	**1,397**	1,222
Singapore	**910**	796
Malaysia	**454**	390
China	**609**	519
Korea	**1,016**	989
Other Markets	**948**	766
Total	**6,765**	6,022
First year premiums by geography		
Hong Kong	**207**	155
Thailand	**203**	168
Singapore	**93**	62
Malaysia	**59**	57
China	**99**	86
Korea	**122**	155
Other Markets	**189**	146
Total	**972**	829

5. TOTAL WEIGHTED PREMIUM INCOME AND ANNUALISED NEW PREMIUMS (continued)

TWPI US$m	Six months ended 31 May 2011 (unaudited)	Six months ended 31 May 2010
Single premiums by geography		
Hong Kong	**83**	43
Thailand	**70**	72
Singapore	**251**	144
Malaysia	**15**	15
China	**61**	64
Korea	**76**	83
Other Markets	**118**	66
Total	**674**	487
Renewal premiums by geography		
Hong Kong	**1,216**	1,181
Thailand	**1,187**	1,047
Singapore	**792**	720
Malaysia	**393**	331
China	**504**	427
Korea	**887**	826
Other Markets	**747**	613
Total	**5,726**	5,145

ANP US$m	Six months ended 31 May 2011 (unaudited)	Six months ended 31 May 2010
ANP by geography[(1)]		
Hong Kong	**223**	165
Thailand	**223**	181
Singapore	**120**	82
Malaysia	**67**	61
China	**109**	92
Korea	**149**	146
Other Markets	**203**	160
Total	**1,094**	887

Note:
(1) ANP excludes new business of our corporate pension business, personal lines and motor insurance.

6. SEGMENT INFORMATION

The Group's operating segments, based on the reporting received by the Group's Board of Directors, are each of the geographical markets in which the Group operates. Each of the reportable segments, other than the 'Corporate and Other' segment, writes life insurance business, providing life, pensions, and accident and health products to customers in its local market, and distributes related investment and other financial services products. The reportable segments, as required to be disclosed separately under IFRS 8, are Hong Kong, Thailand, Singapore, Korea, Malaysia, China, Other Markets and Corporate and Other. The Group's Hong Kong reportable segment includes Macau. The Group's Singapore reportable segment includes Brunei. Other Markets primarily includes the Group's operations in the Philippines, Indonesia, Vietnam, India, Australia, New Zealand and Taiwan. The activities of the Corporate and Other segment consist of the AIA Group's corporate functions, shared services and eliminations of intragroup transactions.

Because each reportable segment other than the Corporate and Other segment focuses on serving the life insurance needs of its local market there are limited transactions between reportable segments. The key performance indicators reported in respect of each segment are:

- ANP;
- TWPI;
- investment income (excluding investment income in respect of investment-linked contracts);
- operating expenses;
- operating profit before tax (see Note 4);
- expense ratio, measured as operating expenses divided by TWPI;
- operating margin, measured as operating profit before tax (see above) expressed as a percentage of TWPI; and
- operating return on allocated segment equity, measured as operating profit after tax attributable to shareholders of AIA Group Limited expressed as a simple average of opening and closing allocated segment equity (being the segment assets less segment liabilities in respect of each reportable segment less non-controlling interests, fair value and foreign currency translation reserves, and adjusted for subordinated intercompany debt).

In presenting net capital in/(out) flows to reportable segments, capital outflows consist of dividends and profit distributions to the Corporate and Other segment and capital inflows consist of capital injections into reportable segments by the Corporate and Other segment. For the Group, net capital in/(out) flows reflect the net amount received from shareholders by way of capital contributions less amounts distributed by way of dividends.

Business volumes in respect of the Group's five largest customers are less than 30 per cent of premiums and fee income.

6. SEGMENT INFORMATION (continued)

US$m	Key markets: Hong Kong	Key markets: Thailand	Key markets: Singapore	Key markets: Malaysia	Key markets: China	Key markets: Korea	Other Markets	Corporate and Other	Total
Period ended 31 May 2011 – unaudited									
ANP	223	223	120	67	109	149	203	–	1,094
TWPI	1,431	1,397	910	454	609	1,016	948	–	6,765
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	1,136	1,417	908	409	589	759	614	–	5,832
Investment income[1]	447	425	369	144	145	165	240	31	1,966
Total revenue	1,583	1,842	1,277	553	734	924	854	31	7,798
Net insurance and investment contract benefits[2]	951	1,243	919	384	528	649	468	–	5,142
Commission and other acquisition expenses	135	210	97	48	45	123	112	–	770
Operating expenses	96	81	65	37	87	65	123	63	617
Investment management expenses and finance costs[3]	3	15	10	3	7	2	13	11	64
Total expenses	1,185	1,549	1,091	472	667	839	716	74	6,593
Share of profit from associates	–	–	–	1	–	–	4	–	5
Operating profit/(loss) before tax	398	293	186	82	67	85	142	(43)	1,210
Tax on operating profit/(loss) before tax	(24)	(88)	(31)	(18)	(8)	(21)	(37)	(11)	(238)
Operating profit/(loss) after tax	374	205	155	64	59	64	105	(54)	972
Operating profit/(loss) after tax attributable to:									
Shareholders of AIA Group Limited	372	205	155	65	59	64	101	(54)	967
Non-controlling interests	2	–	–	(1)	–	–	4	–	5
Key operating ratios:									
Expense ratio	6.7%	5.8%	7.1%	8.1%	14.3%	6.4%	13.0%	–	9.1%
Operating margin	27.8%	21.0%	20.4%	18.1%	11.0%	8.4%	15.0%	–	17.9%
Operating return on allocated equity[4]	16.5%	11.4%	19.0%	24.3%	15.6%	8.9%	14.4%	–	11.8%
Operating profit/(loss) before tax includes:									
Finance costs	2	1	4	–	1	–	–	(1)	7
Depreciation and amortisation	6	4	6	6	6	10	6	3	47

Notes:

(1) Excludes investment income related to investment-linked contracts

(2) Excludes corresponding changes in insurance and investment contract liabilities from investment experience for investment-linked contracts and participating funds and investment income related to investment-linked contracts

(3) Excludes investment management expenses related to investment-linked contracts

(4) Operating return on allocated equity has been annualised to facilitate comparison with prior periods

6. SEGMENT INFORMATION (continued)

Operating profit/(loss) before tax may be reconciled to net profit/(loss) as follows:

	Key markets								
US$m	Hong Kong	Thailand	Singapore	Malaysia	China	Korea	Other Markets	Corporate and Other	Total
Period ended 31 May 2011 – unaudited									
Operating profit/(loss) before tax	398	293	186	82	67	85	142	(43)	1,210
Non-operating items	169	188	84	19	(58)	44	24	11	481
Profit/(loss) before tax	567	481	270	101	9	129	166	(32)	1,691
Tax on operating profit/(loss) before tax	(24)	(88)	(31)	(18)	(8)	(21)	(37)	(11)	(238)
Policyholders' tax on operating profit before tax	–	–	(28)	(7)	–	(2)	–	–	(37)
Tax on non-operating items	1	(57)	(16)	(6)	15	(9)	(21)	(4)	(97)
Tax (expense)/credit	(23)	(145)	(75)	(31)	7	(32)	(58)	(15)	(372)
Net profit/(loss)	544	336	195	70	16	97	108	(47)	1,319
Net profit/(loss) attributable to:									
Shareholders of AIA Group Limited	542	336	195	71	16	97	104	(47)	1,314
Non-controlling interests	2	–	–	(1)	–	–	4	–	5

Allocated equity may be analysed as follows:

	Key markets								
US$m	Hong Kong	Thailand	Singapore	Malaysia	China	Korea	Other Markets	Corporate and Other	Total
31 May 2011 – unaudited									
Assets before investments in associates	28,270	21,280	25,763	8,026	8,271	10,104	10,491	3,512	115,717
Investments in associates	–	1	1	10	–	–	53	–	65
Total assets	28,270	21,281	25,764	8,036	8,271	10,104	10,544	3,512	115,782
Total liabilities[5]	22,575	16,409	23,429	7,384	7,496	8,407	8,257	595	94,552
Total equity	5,695	4,872	2,335	652	775	1,697	2,287	2,917	21,230
Non-controlling interests	7	–	–	9	–	–	71	2	89
Amounts reflected in other comprehensive income:									
Fair value reserve	1,200	673	232	34	(82)	267	629	(108)	2,845
Foreign currency translation reserve	(1)	530	378	96	95	(57)	172	4	1,217
Allocated equity	4,489	3,669	1,725	513	762	1,487	1,415	3,019	17,079
Net capital in/(out) flows	(571)	(204)	–	(115)	–	–	(74)	964	–

Note:

(5) Corporate and Other and Other Markets adjusted for subordinated intercompany debt provided to Other Markets of US$8m

6. SEGMENT INFORMATION (continued)

Segment information may be reconciled to the consolidated income statement as shown below:

US$m	Segment information	Investment experience	Investment income related to investment-linked contracts	Investment management expenses related to investment-linked contracts	Related changes in insurance and investment contract benefits: Investment-linked contracts	Related changes in insurance and investment contract benefits: Participating funds	Third party interests in consolidated investment funds	Other non-operating items	Consolidated income statement	
Period ended 31 May 2011 – unaudited										
Total revenue	**7,798**	**1,076**	**78**	**–**	**–**	**–**	**–**	**–**	**8,952**	**Total revenue**
Of which:										Of which:
Net premiums, fee income and other operating revenue	5,832	–	–	–	–	–	–	–	5,832	Net premiums, fee income and other operating revenue
Investment return	1,966	1,076	78	–	–	–	–	–	3,120	Investment return
Total expenses	**6,593**	**12**	**–**	**24**	**556**	**101**	**(1)**	**(19)**	**7,266**	**Total expenses**
Of which:										Of which:
Net insurance and investment contract benefits	5,142	–	–	–	556	101	–	(37)	5,762	Net insurance and investment contract benefits
Restructuring and separation costs	–	–	–	–	–	–	–	18	18	Restructuring and separation costs
Investment management expenses and finance costs	64	12	–	24	–	–	–	–	100	Investment management expenses and finance costs
Change in third party interests in consolidated investment funds	–	–	–	–	–	–	(1)	–	(1)	Change in third party interests in consolidated investment funds
Share of profit from associates	5	–	–	–	–	–	–	–	5	Share of profit from associates
Operating profit/(loss) before tax	**1,210**	**1,064**	**78**	**(24)**	**(556)**	**(101)**	**1**	**19**	**1,691**	**Profit/(loss) before tax**

Other non-operating items in 2011 consist of restructuring and separation costs of US$18m (see Note 4).

6. SEGMENT INFORMATION (continued)

US$m	Hong Kong	Thailand	Singapore	Malaysia	China	Korea	Other Markets	Corporate and Other	Total
	Key markets								
Period ended 31 May 2010									
ANP	165	181	82	61	92	146	160	–	887
TWPI	1,340	1,222	796	390	519	989	766	–	6,022
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	999	1,230	804	353	503	735	541	(15)	5,150
Investment income[1]	421	367	327	120	130	138	218	(3)	1,718
Total revenue	1,420	1,597	1,131	473	633	873	759	(18)	6,868
Net insurance and investment contract benefits[2]	808	1,079	786	333	459	611	424	(4)	4,496
Commission and other acquisition expenses	100	192	81	42	33	109	103	–	660
Operating expenses	83	71	56	28	82	61	98	46	525
Investment management expenses and finance costs[3]	6	12	8	2	3	1	11	2	45
Total expenses	997	1,354	931	405	577	782	636	44	5,726
Share of profit/(loss) from associates	–	–	–	1	–	–	(9)	–	(8)
Operating profit/(loss) before tax	423	243	200	69	56	91	114	(62)	1,134
Tax on operating profit/(loss) before tax	(23)	(73)	(41)	(17)	(17)	(22)	(25)	(12)	(230)
Operating profit/(loss) after tax	400	170	159	52	39	69	89	(74)	904
Operating profit/(loss) after tax attributable to:									
Shareholders of AIA Group Limited	399	170	159	52	39	69	87	(76)	899
Non-controlling interests	1	–	–	–	–	–	2	2	5
Key operating ratios:									
Expense ratio	6.2%	5.8%	7.0%	7.2%	15.8%	6.2%	12.8%	–	8.7%
Operating margin	31.6%	19.9%	25.1%	17.7%	10.8%	9.2%	14.9%	–	18.8%
Operating return on allocated equity[4]	18.3%	11.1%	19.6%	21.3%	11.6%	10.9%	13.2%	–	13.2%
Operating profit/(loss) before tax includes:									
Finance costs	2	1	3	–	–	–	1	(3)	4
Depreciation and amortisation	1	5	5	3	18	7	6	–	45

Notes:

(1) Excludes investment income related to investment-linked contracts

(2) Excludes corresponding changes in insurance and investment contract liabilities from investment experience for investment-linked contracts and participating funds and investment income related to investment-linked contracts

(3) Excludes investment management expenses related to investment-linked contracts

(4) Operating return on allocated equity has been annualised to facilitate comparison with prior periods

6. SEGMENT INFORMATION (continued)

Operating profit/(loss) before tax may be reconciled to net profit/(loss) as follows:

US$m	Key markets: Hong Kong	Thailand	Singapore	Malaysia	China	Korea	Other Markets	Corporate and Other	Total
Period ended 31 May 2010									
Operating profit/(loss) before tax	423	243	200	69	56	91	114	(62)	1,134
Non-operating items	12	247	103	20	(54)	8	1	(33)	304
Profit/(loss) before tax	435	490	303	89	2	99	115	(95)	1,438
Tax on operating profit/(loss) before tax	(23)	(73)	(41)	(17)	(17)	(22)	(25)	(12)	(230)
Policyholders' tax on operating profit before tax	–	–	(49)	(6)	–	–	(2)	–	(57)
Tax on non-operating items	–	(74)	(18)	(6)	14	(2)	–	(3)	(89)
Tax expense	(23)	(147)	(108)	(29)	(3)	(24)	(27)	(15)	(376)
Net profit/(loss)	412	343	195	60	(1)	75	88	(110)	1,062
Net profit/(loss) attributable to:									
Shareholders of AIA Group Limited	411	343	195	60	(1)	75	86	(112)	1,057
Non-controlling interests	1	–	–	–	–	–	2	2	5

Allocated equity may be analysed as follows:

US$m	Key markets: Hong Kong	Thailand	Singapore	Malaysia	China	Korea	Other Markets	Corporate and Other	Total
30 November 2010									
Assets before investments in associates	27,171	20,955	23,504	7,434	7,657	8,849	9,660	2,566	107,796
Investments in associates	–	1	2	8	–	–	58	–	69
Total assets	27,171	20,956	23,506	7,442	7,657	8,849	9,718	2,566	107,865
Total liabilities[5]	21,555	16,041	21,528	6,782	6,899	7,392	7,461	572	88,230
Total equity	5,616	4,915	1,978	660	758	1,457	2,257	1,994	19,635
Non-controlling interests	5	–	–	–	–	–	73	2	80
Amounts reflected in other comprehensive income:									
Fair value reserve	1,093	837	202	37	(59)	222	693	(111)	2,914
Foreign currency translation reserve	–	541	246	66	71	(155)	106	1	876
Allocated equity	4,518	3,537	1,530	557	746	1,390	1,385	2,102	15,765
Net capital in/(out) flows	(585)	(346)	(400)	(90)	25	–	(99)	1,488	(7)

Note:
(5) Corporate and Other and Other Markets adjusted for subordinated intercompany debt provided to Other Markets of US$18m

6. SEGMENT INFORMATION (continued)

Segment information may be reconciled to the consolidated income statement as shown below:

US$m	Segment information	Investment experience	Investment income related to investment-linked contracts	Investment management expenses related to investment-linked contracts	Related changes in insurance and investment contract benefits		Third party interests in consolidated investment funds	Other non-operating items	Consolidated income statement	
					Investment-linked contracts	Participating funds				
Period ended 31 May 2010										
Total revenue	6,868	304	31	–	–	–	–	–	7,203	**Total revenue**
Of which:										Of which:
Net premiums, fee income and other operating revenue	5,150	–	–	–	–	–	–	–	5,150	Net premiums, fee income and other operating revenue
Investment return	1,718	304	31	–	–	–	–	–	2,053	Investment return
Total expenses	5,726	–	–	7	(44)	119	(12)	(39)	5,757	**Total expenses**
Of which:										Of which:
Net insurance and investment contract benefits	4,496	–	–	–	(44)	119	–	(57)	4,514	Net insurance and investment contract benefits
Restructuring and separation costs	–	–	–	–	–	–	–	18	18	Restructuring and separation costs
Investment management expenses and finance costs	45	–	–	7	–	–	–	–	52	Investment management expenses and finance costs
Change in third party interests in consolidated investment funds	–	–	–	–	–	–	(12)	–	(12)	Change in third party interests in consolidated investment funds
Share of loss from associates	(8)	–	–	–	–	–	–	–	(8)	Share of loss from associates
Operating profit/(loss) before tax	1,134	304	31	(7)	44	(119)	12	39	1,438	**Profit/(loss) before tax**

Other non-operating items in 2010 consist of restructuring and separation costs of US$18m (see Note 4).

7. INVESTMENT RETURN

US$m	**Six months ended 31 May 2011 (unaudited)**	Six months ended 31 May 2010
Interest income	**1,816**	1,586
Dividend income	**191**	129
Rental income	**37**	34
Investment income	**2,044**	1,749
Available for sale		
Net realised gains from debt securities	**24**	54
Impairment of debt securities	**–**	(1)
Net gains of available for sale financial assets reflected in the consolidated income statement	**24**	53
At fair value through profit or loss		
Net gains of debt securities	**100**	210
Net gains/(losses) of equity securities	**1,018**	(3)
Net fair value movement on derivatives	**191**	97
Net gains in respect of financial assets at fair value through profit or loss	**1,309**	304
Net foreign exchange losses	**(258)**	(51)
Other realised gains/(losses)	**1**	(2)
Investment experience	**1,076**	304
Investment return	**3,120**	2,053

Foreign currency movements resulted in the following losses recognised in the income statement (other than gains and losses arising on items measured at fair value through profit or loss):

US$m	**Six months ended 31 May 2011 (unaudited)**	Six months ended 31 May 2010
Foreign exchange losses	**(99)**	(53)

8. EXPENSES

US$m	**Six months ended 31 May 2011 (unaudited)**	Six months ended 31 May 2010
Insurance contract benefits	**3,195**	2,820
Change in insurance contract liabilities	**2,528**	1,973
Investment contract benefits	**261**	(116)
Insurance and investment contract benefits	**5,984**	4,677
Insurance and investment contract benefits ceded	**(222)**	(163)
Insurance and investment contract benefits, net of ceded reinsurance	**5,762**	4,514
Commissions and other acquisition expenses incurred	**1,150**	933
Deferral and amortisation of acquisition costs	**(380)**	(273)
Commission and other acquisition expenses	**770**	660
Employee benefit expenses	**412**	337
Depreciation	**36**	40
Amortisation	**11**	5
Operating lease rentals	**52**	43
Other operating expenses	**106**	100
Operating expenses	**617**	525
Restructuring costs	**18**	1
Separation costs	**–**	17
Restructuring and separation costs	**18**	18
Investment management expenses	**93**	48
Finance costs	**7**	4
Change in third party interests in consolidated investment funds	**(1)**	(12)
Total	**7,266**	5,757

Investment management expenses may be analysed as:

US$m	**Six months ended 31 May 2011 (unaudited)**	Six months ended 31 May 2010
Investment management expenses including fees paid to related parties	**92**	48
Depreciation on investment property	**1**	–
Total	**93**	48

8. EXPENSES (continued)

Finance costs may be analysed as:

US$m	**Six months ended 31 May 2011 (unaudited)**	Six months ended 31 May 2010
Repurchase agreements	**4**	2
Bank and other loans	**3**	2
Total	**7**	4

Interest expense includes US$3m (six months ended 31 May 2010: US$2m) on bank loans, overdrafts and related party loans wholly repayable within five years.

Employee benefit expenses consist of:

US$m	**Six months ended 31 May 2011 (unaudited)**	Six months ended 31 May 2010
Wages and salaries	**350**	282
Share based compensation	**–**	5
Pension costs – defined contribution plans	**20**	16
Pension costs – defined benefit plans	**6**	7
Other employee benefit expenses	**36**	27
Total	**412**	337

9. INCOME TAX

US$m	**Six months ended 31 May 2011 (unaudited)**	Six months ended 31 May 2010
Tax charged in the consolidated income statement		
Current income tax – Hong Kong Profits Tax	**30**	17
Current income tax – overseas	**284**	279
Deferred income tax on temporary differences	**58**	80
Total	**372**	376

Income tax expense is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year.

The tax benefit or expense attributable to Singapore, Malaysia, Indonesia, Australia and New Zealand life insurance policyholder returns is included in the tax charge or credit and is analysed separately in the consolidated income statement in order to permit comparison of the underlying effective rate of tax attributable to shareholders from year to year. The tax attributable to policyholders' returns included above is US$57m charge (six months ended 31 May 2010: US$70m charge).

10. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the net profit attributable to shareholders of AIA Group Limited by the weighted average number of ordinary shares in issue during the period.

	Six months ended 31 May 2011 (unaudited)	Six months ended 31 May 2010
Net profit attributable to shareholders of AIA Group Limited (US$m)	**1,314**	1,057
Weighted average number of ordinary shares in issue (million)	**12,044**	12,044
Basic earnings per share (cents per share)	**11**	9

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As of 31 May 2010 and 2011, the Group has no potential dilutive instruments in issue.

	Six months ended 31 May 2011 (unaudited)	Six months ended 31 May 2010
Net profit attributable to shareholders of AIA Group Limited (US$m)	**1,314**	1,057
Weighted average number of ordinary shares for diluted earnings per share (million)	**12,044**	12,044
Diluted earnings per share (cents per share)	**11**	9

Operating profit after tax per share

Operating profit after tax (see Note 4) per share is calculated by dividing the operating profit after tax attributable to shareholders of AIA Group Limited by the weighted average number of ordinary shares in issue during the period. As of 31 May 2010 and 2011, the Group has no potential dilutive instruments in issue.

	Six months ended 31 May 2011 (unaudited)	Six months ended 31 May 2010
Basic and fully diluted (cents per share)	**8**	7

11. DIVIDENDS

Dividends payable to shareholders of the Company attributable to the interim period:

US$m	**Six months ended 31 May 2011 (unaudited)**	Six months ended 31 May 2010
Interim dividends declared after the balance sheet date of 11 Hong Kong cents per share (six months ended 31 May 2010: nil)	**170**	–

The above interim dividends were declared after the balance sheet date and have not been recognised as liabilities at the balance sheet date.

12. FINANCIAL INVESTMENTS

Debt securities by type comprise the following:

	Policyholder and shareholder					
	Participating funds	Other policyholder and shareholder			Investment-linked	
US$m	FVTPL	FVTPL	AFS	**Sub-total**	FVTPL	**Total**
31 May 2011 – unaudited						
Government bonds	**3,111**	**190**	**18,756**	**22,057**	**428**	**22,485**
Government agency bonds[1]	**2,716**	**5**	**8,320**	**11,041**	**483**	**11,524**
Corporate bonds	**7,811**	**675**	**20,124**	**28,610**	**1,398**	**30,008**
Structured securities[2]	**509**	**192**	**718**	**1,419**	**25**	**1,444**
Total	**14,147**	**1,062**	**47,918**	**63,127**	**2,334**	**65,461**

	Policyholder and shareholder					
	Participating funds	Other policyholder and shareholder			Investment-linked	
US$m	FVTPL	FVTPL	AFS	**Sub-total**	FVTPL	**Total**
30 November 2010						
Government bonds	3,004	196	18,591	21,791	447	22,238
Government agency bonds[1]	2,303	–	6,835	9,138	327	9,465
Corporate bonds	7,438	733	19,739	27,910	1,297	29,207
Structured securities[2]	452	155	664	1,271	26	1,297
Total	13,197	1,084	45,829	60,110	2,097	62,207

Notes:

(1) Government agency bonds comprise bonds issued by government sponsored institutions such as state owned enterprises, provincial and municipal authorities and supranational financial institutions, such as the Asian Development Bank.

(2) Structured securities include collateralised debt obligations, mortgage backed securities and other asset backed securities.

12. FINANCIAL INVESTMENTS (continued)

Equity securities by type comprise the following:

US$m	Policyholder and shareholder: Participating funds FVTPL	Policyholder and shareholder: Other policyholder and shareholder FVTPL	**Sub-total**	Investment-linked FVTPL	Third party interest FVTPL	**Total**
31 May 2011 – unaudited						
Ordinary shares	**2,663**	**4,313**	**6,976**	**3,761**	**–**	**10,737**
Securities held by consolidated mutual funds	**167**	**24**	**191**	**802**	**326**	**1,319**
Interests in investment funds	**740**	**1,734**	**2,474**	**9,559**	**–**	**12,033**
Total	**3,570**	**6,071**	**9,641**	**14,122**	**326**	**24,089**

US$m	Policyholder and shareholder: Participating funds FVTPL	Policyholder and shareholder: Other policyholder and shareholder FVTPL	**Sub-total**	Investment-linked FVTPL	Third party interest FVTPL	**Total**
30 November 2010						
Ordinary shares	2,469	3,827	6,296	3,556	–	9,852
Securities held by consolidated mutual funds	124	57	181	1,204	262	1,647
Interests in investment funds	626	1,427	2,053	8,502	–	10,555
Total	3,219	5,311	8,530	13,262	262	22,054

US$m	**As at 31 May 2011 (unaudited)**	As at 30 November 2010
Debt securities		
Listed		
Hong Kong	**1,190**	953
Overseas	**38,546**	31,957
	39,736	32,910
Unlisted	**25,725**	29,297
Total	**65,461**	62,207
Equity securities		
Listed		
Hong Kong	**644**	597
Overseas	**11,299**	10,236
	11,943	10,833
Unlisted	**12,146**	11,221
Total	**24,089**	22,054

13. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's non-hedge derivative exposure was as follows:

US$m	Notional Amount	Fair value Assets	Fair value Liabilities
31 May 2011 – unaudited			
Foreign exchange contracts:			
Forwards	**211**	**1**	**(1)**
Cross currency swaps	**9,923**	**972**	**(22)**
Total foreign exchange contracts	**10,134**	**973**	**(23)**
Interest rate contracts			
Interest rate swaps	**1,397**	**12**	**(3)**
Other			
Warrants and call options	**38**	**5**	**–**
Total	**11,569**	**990**	**(26)**
30 November 2010			
Foreign exchange contracts:			
Forwards	107	1	–
Cross currency swaps	8,501	756	(25)
Total foreign exchange contracts	8,608	757	(25)
Interest rate contracts			
Interest rate swaps	1,318	14	(4)
Other			
Warrants	21	4	–
Total	9,947	775	(29)

For swap transactions, both legs of the transaction have been disclosed in the column 'notional amount'.

The Group only holds over the counter (OTC) derivatives. OTC derivative contracts are individually negotiated between contracting parties and include forwards and swaps. Derivatives are subject to various risks including market, liquidity and credit risk, similar to those related to the underlying financial instruments.

Derivative assets and derivative liabilities are recognised in the consolidated statement of financial position as financial assets at fair value through profit or loss and derivative financial liabilities respectively. The Group does not employ hedge accounting, although most of its derivative holdings may have the effect of an economic hedge of other exposures. The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities in the consolidated statement of financial position as they do not represent the fair value of these transactions. The notional amounts in the previous table reflect the aggregate of individual derivative positions on a gross basis and so give an indication of the overall scale of derivative transactions.

13. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Foreign exchange contracts

Forward exchange contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed price and settlement date. Currency swaps are contractual agreements that involve the exchange of both periodic and final amounts in two different currencies. Exposure to gain and loss on both types of swap contracts will increase or decrease over their respective lives as a function of maturity dates, interest and foreign exchange rates, and the timing of payments.

Interest rate swaps

Interest rate swaps are contractual agreements between two parties to exchange periodic payments in the same currency, each of which is computed on a different interest rate basis, on a specified notional amount. Most interest rate swaps involve the net exchange of payments calculated as the difference between the fixed and floating rate interest payments.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below sets out a summary of changes in the Group's Level 3 financial assets and liabilities for the period ended 31 May 2011. The table reflects gains and losses, including gains and losses on financial assets and liabilities categorised as Level 3 as at 31 May 2011.

LEVEL 3 FINANCIAL ASSETS AND LIABILITIES

US$m	Debt securities	Equity securities	Derivative financial assets	Derivative financial liabilities	Investment contracts
At 1 December 2010	845	288	1	–	(7,786)
Realised gains	2	2	1	–	–
Net movement on investment contract liabilities	–	–	–	–	(476)
Unrealised gains/(losses) relating to instruments still held at the reporting date					
Reported in the consolidated income statement	104	63	–	–	–
Reported in the consolidated statement of comprehensive income	12	10	–	–	–
Purchases, issues and settlements	7	(6)	–	–	–
Transfers out of Level 3	(48)	(13)	–	–	–
At 31 May 2011 – unaudited	922	344	2	–	(8,262)

Realised gains and losses arising from the disposal of the Group's Level 3 financial assets and liabilities are presented in the consolidated income statement.

Movements in investment contract liabilities at fair value are offset by movements in the underlying portfolio of matching assets.

There are no differences between the fair values on initial recognition and the amounts determined using valuation techniques since the models adopted are calibrated using initial transaction prices.

15. CASH AND CASH EQUIVALENTS

US$m	**As at 31 May 2011 (unaudited)**	As at 30 November 2010
Cash	**1,373**	931
Cash equivalents	**2,092**	1,664
Total	**3,465**	2,595

Cash comprises cash at bank and cash in hand. Cash equivalents comprise bank deposits with maturities at acquisition of three months or less and money market funds. Accordingly, all such amounts are expected to be realised within 12 months after the reporting period.

16. BORROWINGS

US$m	**As at 31 May 2011 (unaudited)**	As at 30 November 2010
Bank loans	**456**	496
Bank overdrafts	**96**	97
Other loans	**4**	4
Total	**556**	597

Properties with a book value of US$761m at 31 May 2011 (30 November 2010: US$760m) and a fair value of US$1,732m at 31 May 2011 (30 November 2010: US$1,675m) and cash and cash equivalents with a book value of US$46m (30 November 2010: US$63m) are pledged as security with respect to amounts disclosed as bank loans above.

17. OBLIGATIONS UNDER REPURCHASE AGREEMENTS

The Group has entered into repurchase agreements whereby securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date.

The securities related to these agreements are not derecognised from the Group's consolidated statement of financial position, but are retained within the appropriate financial asset classification. The following table specifies the amounts included within financial investments subject to repurchase agreements at each period end:

US$m	**As at 31 May 2011 (unaudited)**	As at 30 November 2010
Debt securities:		
Repurchase agreements	**1,331**	1,545
Total	**1,331**	1,545

17. OBLIGATIONS UNDER REPURCHASE AGREEMENTS (continued)

The following table shows the obligations under repurchase agreements at each period end:

US$m	**As at 31 May 2011 (unaudited)**	As at 30 November 2010
Repurchase agreements	**1,200**	1,091
Total	**1,200**	1,091

18. SHARE CAPITAL AND RESERVES

Share capital

	As at 31 May 2011		As at 30 November 2010	
	Million shares (unaudited)	**US$m (unaudited)**	Million shares	US$m
Authorised				
Ordinary shares of US$1 each	**20,000**	**20,000**	20,000	20,000
Issued and fully paid				
At start of the financial period	**12,044**	**12,044**	12,000	12,000
Shares issued during the period	**–**	**–**	44	44
At end of the financial period	**12,044**	**12,044**	12,044	12,044
Share premium		**1,914**		1,914

There were no shares issued under share option schemes in the period. The Company and its subsidiaries have not undertaken any purchase, sale, or redemption of the Company's issued share capital in the reporting period. Share premium of US$1,914m represents the difference between the net book value of the Group on acquisition by the Company of US$13,958m and the nominal value of the share capital issued of US$12,044m.

Reserves

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available for sale securities held at the end of the reporting period.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements of foreign operations.

Other reserves

Other reserves include the impact of merger accounting for business combinations under common control and share based compensation.

19. GROUP CAPITAL POSITION

The Group defines 'capital' as the amount of assets in excess of liabilities measured in accordance with the Hong Kong Insurance Companies Ordinance. The Group defines total available capital as the amount of assets in excess of liabilities measured in accordance with the Insurance Companies Ordinance and 'required capital' as the minimum required margin of solvency calculated in accordance with the Insurance Companies Ordinance. The solvency margin ratio is the ratio of total available capital to required capital.

The capital positions of the Group's two principal operating companies as of 30 November 2010 and 31 May 2011 are as follows:

	31 May 2011 (unaudited)			30 November 2010		
US$m	**Total available capital**	**Required capital**	**Solvency margin ratio**	Total available capital	Required capital	Solvency margin ratio
AIA Co	**6,955**	**1,956**	**356%**	6,207	1,844	337%
AIA-B	**3,869**	**1,110**	**349%**	3,341	1,040	321%

20. RISK MANAGEMENT

Foreign exchange rate risk

The Group's net foreign currency exposures and the estimated impact of changes in foreign exchange rates are set out in the tables below after taking into account the effect of economic hedges of currency risk, whilst providing economic hedges that reduce the Group's net exposure to foreign exchange risk, hedge accounting is not applied. Currencies for which net exposure is not significant are excluded from the analysis below. In compiling the table below the impact of a 5% strengthening of original currency is stated relative to the functional currency of the relevant operation of the Group. The impact of a 5% strengthening of the US dollar is also stated relative to functional currency. Currency exposure reflects the net notional amount of currency derivative positions as well as net equity by currency.

20. RISK MANAGEMENT (continued)

Foreign exchange rate risk (continued)

Net exposure

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit	China Renminbi	Korean Won
31 May 2011 – unaudited							
Equity analysed by original currency	**14,153**	**99**	**3,646**	**(2,013)**	**636**	**826**	**1,569**
Net notional amounts of currency derivative positions	**(4,293)**	**300**	**1,367**	**3,581**	**–**	**17**	**–**
Currency exposure	**9,860**	**399**	**5,013**	**1,568**	**636**	**843**	**1,569**
5% strengthening of original currency							
Impact on profit before tax	**106**	**(10)**	**1**	**14**	**1**	**11**	**3**
5% strengthening of the US dollar							
Impact on shareholders' equity	**(106)**	**(30)**	**(250)**	**(76)**	**(31)**	**(37)**	**(76)**

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit	China Renminbi	Korean Won
30 November 2010							
Equity analysed by original currency	13,195	21	3,727	(1,898)	652	777	1,380
Net notional amounts of currency derivative positions	(3,787)	–	1,266	3,110	–	–	–
Currency exposure	9,408	21	4,993	1,212	652	777	1,380
5% strengthening of original currency							
Impact on profit before tax	103	(24)	–	13	1	9	2
5% strengthening of the US dollar							
Impact on shareholders' equity	(103)	(12)	(249)	(60)	(32)	(34)	(67)

20. RISK MANAGEMENT (continued)

Equity market and interest rate risk

Equity market risk arises from changes in the market value of equity securities and equity funds. The investment in equity assets on a long-term basis is expected to provide diversification benefits and return enhancements which can improve the risk adjusted return of the portfolios.

Sensitivity analysis to the key variables affecting financial assets and liabilities is set out in the table below. For the purpose of illustrating the sensitivity of profit and total equity to changes in interest rates and equity prices, the impact of possible impairments of financial investments classified as available for sale which may arise in times of economic stress has been ignored, since default events reflect the characteristics of individual issuers. Because the Group's accounting policies lock in interest rate assumptions on policy inception and the Group's assumptions incorporate a provision for adverse deviations, the level of movement illustrated in this sensitivity analysis does not result in loss recognition and so there is no corresponding effect on liabilities.

	31 May 2011 (unaudited)		30 November 2010	
US$m	**Impact on profit before tax**	**Impact on net assets (before the effects of taxation)**	Impact on profit before tax	Impact on net assets (before the effects of taxation)
Equity market risk				
10 per cent increase in equity prices	**681**	**681**	595	595
10 per cent decrease in equity prices	**(681)**	**(681)**	(595)	(595)
Interest rate risk				
+ 50 basis points shift in yield curves	**(95)**	**(1,913)**	(87)	(1,861)
- 50 basis points shift in yield curves	**95**	**1,913**	87	1,861

Liquidity risk

The maturity analysis presented in the tables below presents the estimated maturity of carrying amounts in the consolidated statement of financial position. The estimated maturity for insurance and investment contracts, is proportionate to their carrying values based on projections of estimated undiscounted cash flows arising from insurance and investment contracts in force at that date. The Group has made significant assumptions to determine the estimated undiscounted cash flows of insurance benefits and claims and investment contract benefits, which include assumptions in respect of mortality, morbidity, future lapse rates, expenses, investment returns and interest crediting rates, offset by expected future deposits and premiums on in-force policies. The maturity profile of the Group's borrowings is presented on the presumption that the Group will continue to satisfy loan covenants which, if breached, would cause the borrowings to be repayable on demand. The Group regularly monitors its compliance with these covenants and was in compliance with them at the date of the consolidated statement of financial position and throughout each of the periods presented. Due to the significance of the assumptions used, the maturity profiles presented below could be materially different from actual payments.

20. RISK MANAGEMENT (continued)

Liquidity risk (continued)

A maturity analysis based on the earliest contractual repayment date would present the insurance and investment contract liabilities as falling due in the earliest period in the table because of the ability of policyholders to exercise surrender options. Financial assets and liabilities other than investment contract liabilities are presented based on their respective contractual maturities.

US$m	Total	No fixed maturity	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
31 May 2011 – unaudited						
Financial assets:						
Loans and deposits	**4,306**	**1,906**	**207**	**270**	**1,163**	**760**
Receivables	**1,008**	**414**	**571**	**18**	**3**	**2**
Debt securities	**65,461**	**–**	**3,308**	**13,764**	**18,709**	**29,680**
Equity securities	**24,089**	**24,089**	**–**	**–**	**–**	**–**
Derivative financial instruments	**990**	**–**	**285**	**472**	**233**	**–**
Reinsurance receivables	**84**	**–**	**84**	**–**	**–**	**–**
Cash and cash equivalents	**3,465**	**–**	**3,465**	**–**	**–**	**–**
Total	**99,403**	**26,409**	**7,920**	**14,524**	**20,108**	**30,442**
Financial liabilities and insurance contracts:						
Insurance and investment contracts (net of reinsurance)	**87,742**	**–**	**(359)**	**1,518**	**8,378**	**78,205**
Borrowings	**556**	**99**	**7**	**450**	**–**	**–**
Obligations under repurchase agreements	**1,200**	**–**	**1,200**	**–**	**–**	**–**
Derivative financial instruments	**26**	**–**	**3**	**10**	**9**	**4**
Other liabilities including tax payable	**2,031**	**–**	**2,031**	**–**	**–**	**–**
Total	**91,555**	**99**	**2,882**	**1,978**	**8,387**	**78,209**

20. RISK MANAGEMENT (continued)

Liquidity risk (continued)

US$m	Total	No fixed maturity	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
30 November 2010						
Financial assets:						
Loans and deposits	3,762	1,833	415	363	669	482
Receivables	1,100	472	622	3	3	–
Debt securities	62,207	–	2,843	13,459	16,536	29,369
Equity securities	22,054	22,054	–	–	–	–
Derivative financial instruments	775	–	58	550	167	–
Reinsurance receivables	46	–	46	–	–	–
Cash and cash equivalents	2,595	–	2,595	–	–	–
Total	92,539	24,359	6,579	14,375	17,375	29,851
Financial liabilities and insurance contracts:						
Insurance and investment contracts (net of reinsurance)	81,728	–	(383)	1,775	8,185	72,151
Borrowings	597	101	7	489	–	–
Obligations under repurchase agreements	1,091	–	1,091	–	–	–
Derivative financial instruments	29	–	4	10	11	4
Other liabilities including tax payable	2,001	–	2,001	–	–	–
Total	85,446	101	2,720	2,274	8,196	72,155

21. KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel have been identified as the members of the AIA Group's Executive Committee and members of the Company's Board.

US$	**Six months ended 31 May 2011 (unaudited)**	Six months ended 31 May 2010
Key management compensation and other expenses		
Salaries and other short term employee benefits[1]	**8,360,615**	7,856,498
Termination benefits	**–**	2,280,000
Post employment benefits – defined contribution	**185,288**	279,234
Post employment benefits – defined benefit	**–**	17,051
Post employment benefits – medical & life	**26,311**	14,405
Other long term benefits	**669,178**	6,082,141
Share based payment	**–**	(8,885)
Total	**9,241,392**	16,520,444

Note:

(1) Mr. Jay Steven Wintrob and Mr. Jeffrey Joy Hurd, who are employees of AIG, were appointed as directors of the Company on 28 September 2010. The services they provided to the Group were considered to occupy an insignificant amount of their time and they were not separately remunerated for such services. As such, no remuneration is included in the table above.

22. COMMITMENTS AND CONTINGENCIES

Investment and capital commitments

US$m	**Period ended 31 May 2011 (unaudited)**	Year ended 30 November 2010
Not later than one year	**323**	148
Later than one and not later than five years	**4**	–
Later than five years	**–**	46
Total	**327**	194

Investment commitments consist of commitments to invest in private equity partnerships and other assets.

Contingencies

The Group is subject to regulation in each of the geographical markets in which it operates from insurance, securities, capital markets, pension, data privacy and other regulators and is exposed to the risk of regulatory actions in response to perceived or actual non-compliance with regulations relating to suitability, sales or underwriting practices, claims payments and procedures, product design, disclosure, administration, denial or delay of benefits and breaches of fiduciary or other duties. The Group believes that these matters have been adequately provided for in these financial statements.

The Group is exposed to legal proceedings, complaints and other actions from its activities including those arising from commercial activities, sales practices, suitability of products, policies and claims. The Group believes these matters are adequately provided for in these financial statements.

The Group is the reinsurer in a residential mortgage credit reinsurance agreement covering residential mortgages in Australia. Due to a change in law, further cessions under this contract ended in July 2008. This reinsurance is fully retroceded to a subsidiary of AIG. The Group is exposed to the risk of losses in the event of the failure of the counterparty retrocessionaire to honour its obligations. The principal balance outstanding of mortgage loans to which the reinsurance agreement relates were approximately US$2,436m at 31 May 2011 (30 November 2010: US$2,923m). The liabilities and related reinsurance assets, which totalled US$10m (30 November 2010: US$12m), respectively, arising from these agreements are reflected and presented on a gross basis in these financial statements in accordance with the Group's accounting policies. The Group expects to fully recover amounts outstanding at the balance sheet date under the terms of this agreement from the retrocessionaire. In the event of a change in control of one party, the other party has the right to terminate the retrocession cover with the Group electing whether the termination is on a run-off basis or clean cut basis.

At 31 May 2011, the Group has issued capital guarantees and guarantees of indebtedness and minimum guaranteed rates of return ranging from 0% to 5% to holders of units of pension funds that have an accumulation value of approximately US$1,330m (30 November 2010: US$1,309m). The Group has the ability to reduce the guaranteed rates of return, subject to obtaining approvals of applicable regulators.

23. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 May 2011, AIA Group Limited granted 20,426,519 share options and 30,451,585 restricted share units (RSUs) to certain employees, directors and officers of the Company and its subsidiaries under the Share Option Scheme and the Restricted Share Unit Scheme adopted on 28 September 2010. In accordance with IFRS 2, the grant date for accounting purposes was determined to be 15 June 2011. The granted share options and RSUs are subject to service conditions; in addition, certain RSUs are subject to performance conditions including both market and non-market conditions. The share options expire ten years from the date of grant and each share option entitles the holder to subscribe for one ordinary share. The exercise price of each granted share option is HK$27.35. Except in jurisdictions where restrictions apply, the granted share options and RSUs are expected to be settled in equity. The Group will begin recognising compensation expenses related to these share options and RSUs in the second half of financial year 2011.

From 21 June 2011 to 27 June 2011 the RSU trust (formed by AIA Group Limited with an independent trustee) purchased 30,431,000 shares of AIA Group Limited for an aggregate cost of approximately US$104 million in order to fulfil its obligations under the Restricted Share Scheme. These shares will be held by the trustee pending satisfaction of the vesting conditions, and the shares will be reflected as a contra-equity in the Group's consolidated financial statements.

On 29 July 2011, the Directors of the Company declared an interim dividend of 11 Hong Kong cents per share.

SUPPLEMENTARY EMBEDDED VALUE INFORMATION

Towers Watson report on the review of the Supplementary Embedded Value Information

AIA Group Limited (AIA or the Group) has prepared supplementary embedded value results (EV Results) for the interim period ended 31 May 2011 (the Period). These EV Results, together with a description of the methodology and assumptions that have been used, are shown in the Supplementary Embedded Value Information Section of this document.

Towers Watson Pennsylvania Inc, trading as Towers Watson (Towers Watson) has been engaged to review the methodology and assumptions used to calculate the embedded value as at 31 May 2011, the value of new business for the six month period 1 December 2010 to 31 May 2011 for the Group and prior year comparisons.

Towers Watson has concluded that:

■ The methodology used is consistent with recent industry practice for publicly listed companies in Hong Kong as regards traditional embedded value calculations based on discounted values of projected deterministic after-tax cash flows. This methodology makes an overall allowance for risk for the Group through the use of risk discount rates which incorporate risk margins and vary by Business Unit, together with an explicit allowance for the cost of holding required capital;

■ The economic assumptions are internally consistent and have been set with regard to current economic conditions; and

■ The operating assumptions have been set with appropriate regard to past, current and expected future experience, taking into account the nature of the business conducted by each Business Unit.

Towers Watson has performed a number of high-level checks on the models, processes and the results of the calculations, and has confirmed that no issues have been discovered that have a material impact on the disclosed embedded value as at 31 May 2011, value of new business for the six month period 1 December 2010 to 31 May 2011 and analysis of movement in embedded value.

In arriving at these conclusions, Towers Watson has relied on data and information provided by the Group and its subsidiaries. This opinion is made solely to the Group and, to the fullest extent permitted by applicable law, Towers Watson does not accept or assume any responsibility, duty of care or liability to third party for or in connection with its review work, the opinions it has formed, or for any statement set forth in this opinion.

Towers Watson
29 July 2011

Cautionary statements concerning EV

This report includes non-IFRS financial measures and should not be viewed as a substitute for IFRS financial measures.

The results shown in this report are not intended to represent an opinion of market value and should not be interpreted in that manner. This report does not purport to encompass all of the many factors that may bear upon a market value.

The results shown in this report are based on a series of assumptions as to the future. It should be recognised that actual future results may differ from those shown, on account of changes in the operating and economic environments and natural variations in experience. The results shown are presented at the valuation dates stated in this report and no warranty is given by the Group that future experience after these valuation dates will be in line with the assumptions made.

1. Highlights

The EV is a measure of the value of shareholders' interests in the earnings distributable from assets allocated to the in-force business after allowance for the aggregate risks in that business. The Group uses a traditional deterministic discounted cash flow methodology for determining its EV and value of new business (VONB).

This methodology makes implicit allowance for all sources of risk including the cost of investment return guarantees and policyholder options, asset/liability mismatch risk, credit risk, the risk that actual experience in future years differs from that assumed, and for the economic cost of capital, through the use of a risk adjusted discount rate. More details of the EV Results, methodology and assumptions are covered in later sections of this report.

Table 1.1 summarises the key results including the adjusted net worth (ANW) and value of in-force business (VIF).

Table 1.1

Summary Key Metrics[1] (US$ millions)

	At 31 May 2011	At 30 Nov 2010	Growth
EV	27,394	24,748	11%
ANW	10,641	9,524	12%
VIF	16,753	15,224	10%
	Six months ended 31 May 2011	**Six months ended 31 May 2010**	**YOY%**
ANP [2] [3]	1,094	887	23%
VONB	399	303	32%
VONB Margin [3]	36.0%	33.7%	2.3pps

Notes:

(1) The results are after adjustments to reflect additional Hong Kong reserving and capital requirements and the after-tax value of unallocated group office expenses.

(2) ANP = Annualised New Premiums = annualised regular premiums plus 10 per cent of single premiums for new business.

(3) ANP and VONB Margin exclude corporate pension business.

1. Highlights (continued)

EV increased 11 per cent to US$27,394 million at 31 May 2011, compared with US$24,748 million at 30 November 2010.

The change in EV was driven by higher VONB of US$399 million, US$1,038 million from the increased expected return on EV, positive operating experience variances of US$78 million, positive investment return variances of US$541 million due to strong equity markets plus US$493 million of foreign exchange gains.

The EV as at 31 May 2011 includes ANW of US$10,641 million and VIF of US$16,753 million up 12 per cent and 10 per cent respectively over the Period.

2. EV Results

2.1 EMBEDDED VALUE BY BUSINESS UNIT

The EV as at 31 May 2011 is detailed in Table 2.1 below.

Table 2.1

Summary of the EV by Business Unit (US$ millions)

	At 31 May 2011					At 30 Nov 2010
Business Unit	**ANW** [(1)]	**VIF before CoC** [(2)]	**CoC** [(2)]	**VIF after CoC** [(2)]	**EV**	**EV**
AIA Hong Kong	4,539	6,096	295	5,801	10,340	9,977
AIA Thailand	3,821	2,211	223	1,988	5,809	5,557
AIA Singapore	1,862	2,408	389	2,019	3,881	3,167
AIA Malaysia	565	658	134	524	1,089	1,068
AIA China	314	1,364	103	1,261	1,575	1,455
AIA Korea	1,159	906	294	612	1,771	1,630
Other Markets	1,942	917	210	707	2,649	2,482
Corporate and Other	3,399	(45)	–	(45)	3,354	2,451
Sub-total	**17,601**	**14,515**	**1,648**	**12,867**	**30,468**	**27,787**
Adjustment to reflect additional Hong Kong reserving and capital requirements [(3)]	(6,960)	4,622	199	4,423	(2,537)	(2,499)
After-tax value of unallocated group office expenses	–	(537)	–	(537)	(537)	(540)
EV	**10,641**	**18,600**	**1,847**	**16,753**	**27,394**	**24,748**

2. EV Results (continued)

2.1 EMBEDDED VALUE BY BUSINESS UNIT (continued)

Notes:

(1) ANW by Business Unit is after net capital flows between Business Units and Corporate and Other as reported in the IFRS financial statements.

(2) CoC refers to the cost arising from holding the required capital as defined in Section 4.2 of the 'Supplementary Embedded Value Information' in the 'AIA Group Limited Annual Report 2010'.

(3) Adjustment to EV for the branches of AIA Co and AIA-B, as described in Section 4.4 of the 'Supplementary Embedded Value Information' in the 'AIA Group Limited Annual Report 2010'.

2.2 RECONCILIATION OF ANW TO IFRS EQUITY

Table 2.2 sets out the derivation of ANW from IFRS equity as at 31 May 2011.

Table 2.2

Derivation of the Group's ANW from IFRS equity (US$ millions)

	At 31 May 2011	At 30 Nov 2010
IFRS equity attributable to shareholders of the Group	**21,141**	**19,555**
Elimination of IFRS deferred acquisition costs asset	(12,761)	(12,006)
Difference between IFRS policy liabilities and local statutory policy liabilities (for entities included in the EV Results)	7,069	6,678
Difference between net IFRS policy liabilities and local statutory policy liabilities (for entities included in the EV Results)	(5,692)	(5,328)
Mark-to-market adjustment for property and mortgage loan investments, net of amounts attributable to participating funds	1,793	1,676
Elimination of intangible assets	(265)	(252)
Recognition of deferred tax impacts of above changes	709	647
Recognition of non-controlling interest impacts of the above adjustments	(85)	(100)
Group ANW (local statutory basis)	**17,601**	**16,198**
Adjustment to reflect additional Hong Kong reserving requirements, net of tax	(6,960)	(6,674)
Group ANW (after additional Hong Kong reserving requirements)	**10,641**	**9,524**

2. EV Results (continued)

2.3 BREAKDOWN OF ANW

Table 2.3 shows the breakdown of the ANW for the Group between the required capital, as defined in Section 4.6 of the 'Supplementary Embedded Value Information' in the 'AIA Group Limited Annual Report 2010', and the free surplus, which is the ANW in excess of the required capital.

Table 2.3

Free surplus and required capital for the Group (US$ millions)

	At 31 May 2011	
	Local statutory basis	**Hong Kong basis for branches of AIA Co and AIA-B**
Free surplus	13,896	5,821
Required capital	3,705	4,820
ANW	**17,601**	**10,641**

The Group's subsidiaries, AIA Co and AIA-B, are both Hong Kong regulated entities subject to Hong Kong statutory requirements. The business written in the branches of AIA Co and AIA-B is subject to the local reserving and capital requirements in the relevant territory and the Hong Kong reserving and capital requirements applicable to AIA Co and AIA-B at the entity level.

At 31 May 2011, the more onerous reserving basis for both AIA Co and AIA-B was the Hong Kong basis. Therefore, the Group's free surplus at 31 May 2011 reduced by US$8,075 million under the Hong Kong basis compared to the local statutory basis, reflecting US$6,960 million higher reserving requirements and US$1,115 million higher required capital under the Hong Kong basis for branches of AIA Co and AIA-B.

2.4 EARNINGS PROFILE

Table 2.4 shows how the after-tax distributable earnings from the assets backing the statutory reserves and required capital of the in-force business of the Group are projected to emerge over future years. The projected values reflect the Hong Kong reserving and capital requirements for the branches of AIA Co and AIA-B.

Table 2.4

Profile of projected after-tax distributable earnings for the Group's business in-force (US$ millions)

	At 31 May 2011	
Financial year	**Undiscounted**	**Discounted**
2011 – 2015	10,222	8,496
2016 – 2020	9,952	5,393
2021 – 2025	9,479	3,414
2026 – 2030	7,903	1,880
2030+	30,556	2,390
Total	**68,112**	**21,573**

The profile of distributable earnings is shown on an undiscounted and discounted basis. The discounted value of after-tax distributable earnings of US$21,573 million plus the free surplus of US$5,821 million shown in Table 2.3 is equal to the EV of US$27,394 million shown in Table 2.1.

2. EV Results (continued)

2.5 VALUE OF NEW BUSINESS

The VONB for the Group for the six month period from 1 December 2010 to 31 May 2011 is summarised in Table 2.5 below. The VONB is defined as the present value, at the point of sale, of the projected after-tax statutory profits less the cost of required capital.

The Group VONB for the six months ended 31 May 2011 was US$399 million, an increase of US$96 million, or 32 per cent, from US$303 million in the same period in 2010. VONB growth benefited from an expansion of the VONB Margin, which increased from 33.7 per cent for the six months ended 31 May 2010 to 36.0 per cent for the six months ended 31 May 2011, and 23 per cent growth in ANP.

Table 2.5

Summary of VONB by Business Unit (US$ millions)

	Six months ended 31 May 2011			Six months ended 31 May 2010
Business Unit	**VONB before CoC (1)**	**CoC (1)**	**VONB after CoC (1) (3)**	**VONB after CoC (1) (3)**
AIA Hong Kong	134	13	121	95
AIA Thailand	108	7	101	67
AIA Singapore	91	13	78	49
AIA Malaysia	26	4	22	19
AIA China	53	9	44	30
AIA Korea	47	5	42	39
Other Markets	53	9	44	46
Total before unallocated group office expenses (local statutory basis)	**512**	**60**	**452**	**345**
Adjustment to reflect additional Hong Kong reserving and capital requirements(2)	(11)	13	(24)	(21)
Total before unallocated group office expenses (after additional Hong Kong reserving and capital requirements)	**501**	**73**	**428**	**324**
After-tax value of unallocated group office expenses	(29)	–	(29)	(21)
Total	**472**	**73**	**399**	**303**

Notes:

(1) CoC refers to the cost arising from holding the required capital as defined in Section 4.2 of the 'Supplementary Embedded Value Information' in the 'AIA Group Limited Annual Report 2010'.

(2) Adjustment to VONB for the branches of AIA Co and AIA-B, as described in Section 4.4 of the 'Supplementary Embedded Value Information' in the 'AIA Group Limited Annual Report 2010'.

(3) The amounts of VONB attributable to non-controlling interests for the six months ended 31 May 2011 and 2010 were US$1.6 million and US$1.0 million respectively.

2. EV Results (continued)

2.5 VALUE OF NEW BUSINESS (continued)

Table 2.6 shows the VONB Margin for the Group. The VONB Margin is defined as VONB, excluding corporate pension business, expressed as a percentage of ANP. The VONB for corporate pension business is excluded from the margin calculation to be consistent with the definition of ANP.

Table 2.6

Summary of VONB Margin by Business Unit (US$ millions)

	Six months ended 31 May 2011			Six months ended 31 May 2010
Business Unit	**VONB excluding corporate pension**	**ANP (1)**	**VONB Margin (1)**	**VONB Margin (1)**
AIA Hong Kong	116	223	52.2%	54.6%
AIA Thailand	101	223	45.4%	37.1%
AIA Singapore	78	120	65.1%	59.3%
AIA Malaysia	22	67	32.5%	30.4%
AIA China	44	109	40.6%	33.1%
AIA Korea	42	149	28.0%	26.9%
Other Markets	44	203	21.7%	28.9%
Total before unallocated group office expenses (local statutory basis)	**447**	**1,094**	**40.9%**	**38.4%**
Adjustment to reflect additional Hong Kong reserving and capital requirements(2)	(24)	–		
Total before unallocated group office expenses (after additional Hong Kong reserving and capital requirements)	**423**	**1,094**	**38.7%**	**36.1%**
After-tax value of unallocated group office expenses	(29)	–		
Total	**394**	**1,094**	**36.0%**	**33.7%**

Notes:

(1) ANP and VONB Margin exclude corporate pension business.

(2) Adjustment to VONB for the branches of AIA Co and AIA-B, as described in Section 4.4 of the 'Supplementary Embedded Value Information' in the 'AIA Group Limited Annual Report 2010'.

2. EV Results (continued)

2.5 VALUE OF NEW BUSINESS (continued)

Table 2.7 shows the breakdown of the VONB and the VONB Margin for the Group by quarter for business written in the six months to 31 May 2011. For comparison purposes, the quarterly VONB and the VONB Margin for business written in the six months to 31 May 2010 are also shown in the same table.

Table 2.7

Summary of the VONB, ANP and VONB Margin by quarter for the Group (US$ millions)

Quarter	VONB after CoC [(1)]	ANP [(2)]	VONB Margin [(2)]
Values for 2011			
Three months ended 28 February 2011	182	512	35.2%
Three months ended 31 May 2011	217	582	36.7%
Values for 2010			
Three months ended 28 February 2010	151	437	33.9%
Three months ended 31 May 2010	152	450	33.6%

Notes:

(1) CoC refers to the cost arising from holding the required capital as defined in Section 4.2 of the 'Supplementary Embedded Value Information' in the 'AIA Group Limited Annual Report 2010'.

(2) ANP and VONB Margin exclude corporate pension business.

2. EV Results (continued)

2.6 ANALYSIS OF EV MOVEMENT

Table 2.8 shows the analysis of movement in the EV from 30 November 2010 to 31 May 2011.

Table 2.8

Analysis of movement in EV (US$ millions)

	Six months ended 31 May 2011			Six months ended 31 May 2010	YOY%
	ANW	**VIF**	**EV**	**EV**	**EV**
Opening EV	**9,524**	**15,224**	**24,748**	**20,965**	**18%**
Value of new business	(371)	770	399	303	32%
Expected return on EV	1,297	(259)	1,038	935	11%
Operating experience variances	(28)	106	78	(49)	n/m
Operating assumption changes	–	–	–	20	n/m
EV operating profit	**898**	**617**	**1,515**	**1,209**	**25%**
Investment return variances	174	367	541	(130)	n/m
Effect of changes in economic assumptions	–	–	–	(29)	n/a
Other non-operating variances	5	92	97	(92)	n/m
Total EV profit	**1,077**	**1,076**	**2,153**	**958**	**125%**
Capital/Dividend movements	–	–	–	–	n/a
Effect of changes in exchange rates	40	453	493	55	796%
Ending EV	**10,641**	**16,753**	**27,394**	**21,978**	**25%**

EV operating profit grew by 25 per cent for the Period to US$1,515 million. This strong performance was a result of higher VONB of US$399 million, US$1,038 million from the increased expected return on EV and positive operating experience variances of US$78 million. Each of these components of operating profit increased materially over the same period last year.

The VONB shown in Table 2.8 is at the point of sale for business written during the Period. The expected return on EV is the expected change in the EV over the Period plus the expected return on the VONB from the point of sale to 31 May 2011. Operating experience variances reflect the impact on the ANW and VIF from differences between the actual experience over the Period and that expected based on the operating assumptions.

2. EV Results (continued)

2.6 ANALYSIS OF EV MOVEMENT (continued)

The main operating variances (net of tax) are:

- Expense variances of US$(36) million which include US$(20) million impact from the excess of actual acquisition expenses over the unit cost assumptions during the Period and US$(16) million impact mainly from non-recurring project and corporate expenses;

- Mortality and morbidity claims variances of US$97 million; and

- Persistency and other variances of US$17 million.

The overall effect of changes to operating assumptions during the Period was immaterial.

EV profit of US$2,153 million is the total of EV operating profit plus investment return variances, the effect of economic assumption changes and other non-operating variances. Positive investment return variances of US$541 million were led by strong equity markets. There were no changes to economic assumptions during the Period.

Other non-operating variances amounted to US$97 million and included:

- Tax adjustments resulting in a charge of US$(7) million;

- Restructuring and separation costs of US$(13) million, plus the current year-to-date effect of US$(20) million for the Agency Incentive Plan which is a one-off initiative to improve agency activity and productivity prior to the IPO of the Group. The remaining balance of the Agency Incentive Plan, estimated to be not more than US$(160) million, will be recognized if and when the performance requirements for the incentive awards are fulfilled in future; and

- Modelling enhancements accounting for the majority of the balance.

2.7 SENSITIVITY TESTS

The magnitudes of sensitivity test results at 31 May 2011 relative to the Central Value are materially unchanged from those shown in Table 3.1 and Table 3.2 of Section 3 of the ‘Supplementary Embedded Value Information’ in the ‘AIA Group Limited Annual Report 2010’.

3. Methodology and Assumptions

3.1 METHODOLOGY

The methodology used by the Group for determining the EV Results for the Period is materially unchanged from that described in Section 4 of the 'Supplementary Embedded Value Information' in the 'AIA Group Limited Annual Report 2010'.

3.2 REQUIRED CAPITAL

Each of the Business Units has a regulatory requirement to hold shareholder capital in addition to the assets backing the insurance liabilities. The Group's assumed levels of required capital for each Business Unit are set out in the table below. Further, the consolidated EV Results for the Group have been calculated reflecting the more onerous of the Hong Kong and branch level local regulatory reserving and capital requirements for AIA Co and AIA-B.

Table 3.1

Required Capital by Business Unit

Business Unit	Required Capital
AIA Australia	100% of the regulatory capital adequacy requirement
AIA China	100% of required minimum solvency margin
AIA Hong Kong	150% of required minimum solvency margin [1]
AIA Indonesia	120% of regulatory risk-based capital requirement (standard basis)
AIA Korea	150% of regulatory risk-based capital requirement
AIA Malaysia	170% of regulatory risk-based capital requirement
AIA New Zealand	100% of the local regulatory requirement [2]
PhilamLife	100% of regulatory risk-based capital requirement
AIA Singapore – Brunei business	100% of the local regulatory requirement
AIA Singapore – Singapore business	180% of regulatory risk-based capital requirement
AIA Taiwan	200% of regulatory risk-based capital requirement
AIA Thailand	150% of required minimum solvency margin
AIA Vietnam	100% of required minimum solvency margin

Notes:

(1) The assumed level of required capital for AIA Hong Kong is also used for the branches of AIA Co and AIA-B in the calculation of the consolidated EV Results.

(2) The local regulatory standard is considered to be defined by the Professional Standards of the New Zealand Society of Actuaries.

3. Methodology and Assumptions (continued)

3.3 ASSUMPTIONS

Section 5 of the 'Supplementary Embedded Value Information' in the 'AIA Group Limited Annual Report 2010' outlines the basis and considerations for determining the assumptions used by the Group for calculating the EV and VONB. In summary, the economic assumptions used to determine the EV as at 31 May 2011 are the same as those for determining the EV as at 30 November 2010. The non-economic assumptions used are based on those at 30 November 2010 updated to reflect the latest experience observed.

Table 3.2 summarises the risk discount rates and assumed long-term investment returns for the major asset classes for each Business Unit as at 31 May 2011. The same risk discount rates were used for all the EV results shown in Section 1 and Section 2 of this report. In particular, for the branches of AIA Co and AIA-B, the consolidated EV results reflecting the Hong Kong reserving and capital requirements were calculated using the branch specific risk discount rates shown in Table 3.2. The present value of unallocated group office expenses was calculated using the AIA Hong Kong risk discount rates. The investment returns shown are gross of tax and investment expenses.

Table 3.2

Risk discount rates and long-term investment return assumptions by Business Unit (%)

Business Unit	Risk discount rates			10-year government bonds			Local equities		
	At 31 May 2011	At 30 Nov 2010	At 31 May 2010	At 31 May 2011	At 30 Nov 2010	At 31 May 2010	At 31 May 2011	At 30 Nov 2010	At 31 May 2010
AIA Australia	8.75	8.75	8.75	5.65	5.65	5.75	8.15	8.15	8.15
AIA China	10.00	10.00	10.00	3.74	3.74	3.74	9.74	9.74	9.74
AIA Hong Kong (1)	8.00	8.00	8.00	3.53	3.53	3.83	8.48	8.48	8.48
AIA Indonesia (Rupiah denominated business)	15.00	15.00	17.00	7.90	7.90	8.94	12.86	12.86	12.86
AIA Korea	10.50	10.50	11.00	4.82	4.82	5.16	8.16	8.16	8.58
AIA Malaysia	9.00	9.00	9.00	4.45	4.45	4.46	8.34	8.34	8.34
AIA New Zealand	9.00	9.00	9.00	6.13	6.13	6.30	n/a (2)	n/a (2)	n/a (2)
PhilamLife (Peso denominated business)	13.00	13.00	14.00	6.00	6.00	7.47	11.16	11.16	11.16
AIA Singapore – Brunei business	7.75	7.75	7.75	2.93	2.93	2.93	8.00	8.00	8.00
AIA Singapore – Singapore business	7.75	7.75	7.75	2.93	2.93	2.93	8.00	8.00	8.00
AIA Taiwan	8.00	8.00	8.00	1.73	1.73	1.73	6.87	6.87	6.87
AIA Thailand	9.50	9.50	10.00	3.87	3.87	4.16	10.16	10.16	10.16
AIA Vietnam	16.00	16.00	16.00	10.20	10.20	9.25	n/a (2)	n/a (2)	n/a (2)

Notes:

(1) The majority of AIA Hong Kong's assets and liabilities are denominated in U.S. dollars. The 10-year government bond assumption is for U.S. dollar denominated bonds.

(2) The assumed asset allocations do not include equities for these Business Units.

INFORMATION FOR SHAREHOLDERS

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's interim consolidated financial statements for the six months ended 31 May 2011.

INTERIM DIVIDEND

The Board has declared an interim dividend of 11 Hong Kong cents per share (2010: nil).

The interim dividend will be payable on Friday, 2 September 2011 to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 17 August 2011.

Relevant Dates for the Interim Dividend Payment

Ex-dividend date	11 August 2011
Book closure period	15 August – 17 August 2011 (both dates inclusive)
Record date	17 August 2011
Payment date	2 September 2011

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15 August 2011 to 17 August 2011, both dates inclusive, for the purpose of determining shareholders' entitlements to the interim dividend. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m., 12 August 2011.

SHARE REGISTRAR

If you have any enquiries relating to your shareholding, please contact the Company's share registrar at the contact given below:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Telephone: 852 2862 8555
Email: hkinfo@computershare.com.hk
Website: www.computershare.com

FINANCIAL CALENDAR

Announcement of First Quarter 2011 New Business Highlights	18 April 2011
2011 Annual General Meeting	26 May 2011
Announcement of 2011 Interim Results	29 July 2011
Payment of Interim Dividend	2 September 2011

ELECTRONIC COMMUNICATIONS

Shareholders are encouraged to elect to receive shareholder documents electronically. You may at any time send written notice to the Company c/o the Company's share registrar or via email at aia.ecom@computershare.com.hk specifying your name, address and request to change your choice of language or means of receipt of all shareholder documents. This will save printing and distribution costs and create environmental benefits.

INTERIM REPORT

This Interim Report is printed in English and Chinese and is available at the website of the Company. If you would like to have a printed version of this Interim Report, please contact the Company's share registrar at the contact given below:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Email: aia.ecom@computershare.com.hk

If there is a dispute between the Chinese and English version of this Interim Report, the English text shall prevail.

INVESTMENT COMMUNITY AND NEWS MEDIA

Enquiries may be directed to:

Investment Community		**News Media**	
Paul Lloyd	+852 2832 6160	Paul Scanlon	+852 2832 6178
Angela Chang	+852 2832 5480	Sonia Tsang	+852 2832 1868
Feon Lee	+852 2832 4704	Emerald Ng	+852 2832 4720

FORWARD LOOKING STATEMENTS

This document contains certain forward looking statements relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. These forward looking statements are, by their nature, subject to significant risks and uncertainties. These forward looking statements include, without limitation, statements relating to our business prospects, future developments, trends and conditions in the industry and geographical markets in which we operate, our strategies, plans, objectives and goals, our ability to control costs, statements relating to prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

When used in this document, the words 'anticipate', 'believe', 'could', 'estimate', 'expect', 'going forward', 'intend', 'may', 'ought to', 'plan', 'project', 'seek', 'should', 'will', 'would' and similar expressions, as they relate to us or our management, are intended to identify forward looking statements. These forward looking statements reflect our views as of the date hereof with respect to future events and are not a guarantee of future performance or developments. You are strongly cautioned that reliance on any forward looking statements involves known and unknown risks and uncertainties. Actual results and events may differ materially from information contained in the forward looking statements as a result of a number of factors, including any changes in the laws, rules and regulations relating to any aspects of our business operations, general economic, market and business conditions, including capital market developments, changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, the actions and developments of our competitors and the effects of competition in the insurance industry on the demand for, and price of, our products and services, various business opportunities that we may or may not pursue, changes in population growth and other demographic trends, including mortality, morbidity and longevity rates, persistency levels, our ability to identify, measure, monitor and control risks in our business, including our ability to manage and adapt our overall risk profile and risk management practices, our ability to properly price our products and services and establish reserves for future policy benefits and claims, seasonal fluctuations, and factors beyond our control. Subject to the requirements of the Listing Rules, we do not intend to update or otherwise revise the forward looking statements in this report, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward looking information or statements. All forward looking statements in this document are qualified by reference to the cautionary statements set forth in this section.

GLOSSARY

Accident and health (A&H) insurance products	Accident and health insurance products, which provide morbidity or sickness benefits and include health, disability, critical illness and accident cover. A&H insurance products are sold both as standalone policies and as riders that can be attached to our individual life insurance policies.
Acquisition cost (of a financial instrument)	The amount of cash or cash equivalents paid or the fair value of other consideration provided, in order to acquire an asset at the date of its acquisition.
Active agent	An agent who sells at least one life insurance product per month.
Adjusted net worth (ANW)	ANW is the market value of assets in excess of the assets backing the policy reserves and other liabilities of the life (and similar) business of AIA, plus the IFRS equity value (excluding the value of intangible assets) of other activities, such as general insurance business. It excludes any amounts not attributable to the shareholders of AIA. The market value of investment properties and property held for use used to determine the ANW is based on the fair value disclosed in AIA's IFRS financial statements as at the valuation date. It is AIA's policy to obtain external property valuations annually except in the event of a discrete event occurring in the interim that has significant impact on the fair value of the properties.
AIA or the Group	AIA Group Limited and its subsidiaries.
AIA-B	American International Assurance Company (Bermuda) Limited, a subsidiary of AIA Co.
AIA Co	American International Assurance Company, Limited, a subsidiary of the Company.
Amortised cost	The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.
Annualised new premium (ANP)	ANP represents 100% of annualised first year premiums and 10% of single premiums, before reinsurance ceded. It is an internally used measure of new business sales or activity for all entities within AIA. ANP excludes new business of corporate pension business and personal lines and motor insurance.
Annuity	A savings product where the accumulated amount can be paid out to the customer in a variety of income streams.
Available for sale financial investments	Non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables or as at fair value through profit or loss. Available for sale financial instruments are measured at fair value, with movements in fair value recorded in other comprehensive income.
Bancassurance	The distribution of insurance products through banks or other financial institutions.

Common control	A business combination involving entities under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination.
The Company	AIA Group Limited.
Corporate Governance Code	Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.
Cost of Capital (CoC)	CoC is calculated as the face value of the required capital as at the valuation date less the present value of the net of tax investment return on the shareholder assets backing the required capital less the present value of projected releases from the assets backing the required capital. Where the required capital may be covered by policy holder assets such as surplus assets in a participating fund there is no associated cost of capital included in the VIF or VONB.
Credit risk	The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
Currency risk	The risk that asset or liability values, cash flows, income or expenses will be affected by changes in exchange rates.
Deferred acquisition costs	Deferred acquisition costs are expenses of an insurer which are incurred in connection with the acquisition of new insurance contracts or the renewal of existing insurance policies. They include commissions and other variable sales inducements and the direct costs of issuing the policy, such as underwriting and other policy issue expenses. These costs are deferred and expensed to the consolidated income statement on a systematic basis over the life of the policy. At least annually such assets are tested for recoverability.
Deferred origination costs	Origination costs are expenses which are incurred in connection with the origination of new investment contracts or the renewal of existing investment contracts. For contracts that involve the provision of investment management services these include commissions and other incremental expenses directly related to the issue of each new contract. Origination costs on contracts with investment management services are deferred and recognised as an asset in the consolidated statement of financial position and expensed to the consolidated income statement on a systematic basis in line with the revenue generated by the investment management services provided.
Defined benefit plans	Post employment benefit plans under which amounts to be paid or services to be provided as post retirement benefits are determined by reference to a formula usually based on employees' earnings and/or years of service.
Defined contribution plans	Post employment benefit plans under which amounts to be paid as post retirement benefits are determined by contributions to a fund together with earnings thereon. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay the post retirement benefits.

Discontinued operations	A component of an entity that either has been disposed of or is classified as held for sale and: • represents a separate major line of business or geographical area of operations; • is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or • is a subsidiary acquired exclusively with a view to resale.
Effective interest method	A method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying value of the financial asset or financial liability.
Embedded value (EV)	An actuarially determined estimate of the economic value of a life insurance business based on a particular set of assumptions as to future experience, excluding any economic value attributable to future new business.
EPS	Earnings Per Share.
ERM	Enterprise Risk Management.
Fair value	The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Fair value through profit or loss (FVTPL)	A financial asset or financial liability that is measured at fair value in the statement of financial position with gains and losses arising from movements in fair value being presented in the consolidated income statement as a component of the profit or loss for the year.
First year premiums	First year premiums are the premiums received in the first year of a recurring premium policy. As such, they provide an indication of the volume of new policies sold.
Free surplus	ANW in excess of the required capital.
Functional currency	The currency of the primary economic environment in which the entity operates.
Group office	Group office includes the activities of the Corporate and Other segment consisting of the AIA Group's corporate functions, shared services and eliminations of intragroup transactions.
Held for sale	A non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use. On the date that a non-current asset meets the criteria as held for sale it is measured at the lower of its carrying amount and fair value less costs to sell.
Hong Kong	The Hong Kong Special Administrative Region of the PRC; in the context of our reportable segments, Hong Kong includes Macau.

Hong Kong Insurance Companies Ordinance (HKICO)	The Insurance Companies Ordinance (Laws of Hong Kong, Chapter 41) (ICO) provides a legislative framework for the prudential supervision of the insurance industry in Hong Kong. The objectives of the ICO are to protect the interests of the insuring public and to promote the general stability of the insurance industry.
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited.
HKOCI	Hong Kong Office of the Commissioner of Insurance.
IFRS	Standards and interpretations adopted by the International Accounting Standards Board (IASB) comprising: • International Financial Reporting Standards; • International Accounting Standards; and • Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).
Insurance contract	A contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if specified uncertain future events adversely affect the policyholder.
Insurance risk	Risk, other than financial risk, transferred from the holder of a contract to the issuer.
Investment contract	An investment contract is an insurance policy that, whilst structured and regulated as a contract of insurance, does not meet the accounting definition of an insurance contract because it does not transfer significant insurance risk.
Investment experience	Realised and unrealised investment gains and losses recognised in the consolidated income statement.
Investment income	Investment income comprises interest income, dividends and rental income.
Investment property	Property (land and/or a building or part of a building) held to earn rentals or for capital appreciation or both rather than for use by AIA.
Investment return	Investment return consists of investment income plus investment experience.
Investment-linked Investments	Financial investments held to back investment-linked contracts.
Investment-linked products (ILPs)	Investment-linked products are insurance products where the policy value is linked to the value of underlying investments (such as collective investment schemes, internal investment pools or other property) or fluctuations in the value of underlying investment or indices. Investment risk associated with the product is usually borne by the policyholder. Insurance coverage, investment and administration services are provided for which the charges are deducted from the investment fund assets. Benefits payable will depend on the price of the units prevailing at the time of surrender, death or the maturity of the policy, subject to surrender charges.
LIMRA 19 month persistency	The percentage of insurance policies paying the 19th monthly premium, as measured by premiums.

Liquidity risk	The risk that an entity will encounter difficulty in meeting obligations associated with liabilities.
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
Mandatory Provident Fund (MPF)	MPF is a compulsory saving scheme (pension fund) for the retirement of residents in Hong Kong. Most employees and their employers are required to contribute monthly to Mandatory Provident Fund Schemes provided by approved private organisations, according to their salaries and the period of employment.
Market risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.
Million Dollar Round Table (MDRT)	MDRT is a global professional trade association of life insurance and financial services professionals that recognises significant sales achievements and high service standards.
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules in respect of dealings by the Directors in the securities of the Company.
Net book value	The net value of an asset. Equal to its original cost (its book value) minus depreciation and amortization.
Net funds to Group	In presenting net capital in/(out) flows to reportable segments, capital outflows consist of dividends and profit distributions to the Corporate and Other segment and capital inflows consist of capital injections into reportable segments by the Corporate and Other segment. For the Group, net capital in/(out) flows reflect the net amount received from shareholders by way of capital contributions less amounts distributed by way of dividends.
Net profit	Net profit is calculated by subtracting a company's total expenses from total revenue, including share of loss from associates and after tax.
New business premiums	A measure of new business activity that is calculated as the sum of the first year premiums on new business (without annualisation) and 10% of Single Premiums, before reinsurance ceded, written during the period.
Non-controlling interests	The equity in a subsidiary not attributable, directly or indirectly, to a parent. Also referred to as 'minority interests'.
n/a	Not available.
n/m	Not meaningful.
Operating profit before tax and after tax	The Group defines operating profit before and after tax excluding investment experience; investment income and investment management expenses related to investment-linked contracts; corresponding changes in insurance and investment contract benefits in respect of investment-linked contracts and participating fund; changes in third party interests in consolidated investment funds, policyholders' share of tax relating to the change in insurance and investment contract liabilities and other significant items of non-operating income and expenditure.

OPAT	Operating profit after tax.
Operating return on allocated equity	Operating return on allocated equity is calculated as operating profit after tax attributable to shareholders of AIA Group Limited, expressed as percentage of the simple average of opening and closing total equity attributable to shareholders of AIA Group Limited, less the fair value and foreign currency translation reserves, and adjusted for subordinated intercompany debt.
Operating segment	A component of an entity that: • engages in business activities from which it may earn revenues and incur expenses; • whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and • for which discrete financial information is available.
Other comprehensive income	Items of income and expense that form part of total comprehensive income but, as required or permitted by IFRS, do not form part of profit or loss for the year, such as fair value gains and losses on available for sale financial assets.
Participating funds	Participating funds are distinct portfolios where the policyholders have a contractual right to receive at the discretion of the insurer additional benefits based on factors such as the performance of a pool of assets held within the fund, as a supplement to any guaranteed benefits. The Group may either have discretion as to the timing of the allocation of those benefits to participating policyholders or may have discretion as to the timing and the amount of the additional benefits.
Participating policies	Participating policies are contracts of insurance where the policyholders have a contractual right to receive, at the discretion of the insurer, additional benefits based on factors such as the performance of a pool of assets held within the fund, as a supplement to any guaranteed benefits. The Group may either have discretion as to the timing of the allocation of those benefits to participating policyholders or may have discretion as to the timing and the amount of the additional benefits. Participating policies may either be written within participating funds (see above) or may be written within the Company's general account, whereby the investment performance is determined for a group of assets or contracts, or by reference to the Company's overall investment performance and other factors. The latter is referred to by the Group as 'other participating business,' whether participating policies are written within a separate participating fund or not largely depends on matters of local practice and regulation.
Persistency	The percentage of insurance policies remaining in force from month to month in the past 12 months, as measured by premiums.

PhilamLife	The Philippine American Life and General Insurance Company, a subsidiary of AIA Co.
Policyholder and Shareholder Investments	Investments other than those held to back investment-linked contracts.
pps	Percentage points.
PRC	The People's Republic of China.
Property held for use	Property held for use in the AIA Group's business.
Protection gap	The difference between the resources needed and resources available to maintain dependants' living standards after the death of the primary wage earner.
Regulatory Capital	A minimum solvency margin requirements set by the HKICO that an insurer must meet in order to be authorized to carry on insurance business in or from Hong Kong.
Renewal premiums	Premiums receivable in subsequent years of a recurring premiums policy.
Reverse repurchase agreements (repos)	A reverse repurchase transaction (reverse repo) involves the purchase of financial investments with a simultaneous obligation to sell the assets at a future date, at an agreed price. Such transactions are reported within 'Loans and deposits' in the consolidated statement of financial position. The interest income from reverse repo transactions is reported within investment return in the consolidated income statement.
Rider	A supplemental plan that can be attached to a basic insurance policy, typically with payment of additional premium.
Risk-adjusted return	A measure of how much an investment returned in relation to the amount of risk it took on.
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time.
Singapore	The Republic of Singapore; in the context of our reportable segment, Singapore includes Brunei.
Single premiums	Single premium policies of insurance are those that require only a single lump sum payment from the policyholder.
Solvency	The ability of an insurance company to satisfy its policyholder benefits and claims obligations.
Solvency ratio	The ratio of actual capital to the minimum capital requirement applicable to the insurer pursuant to relevant regulations.
Standalone A&H	A&H policies that are sold as separate policies not attached to other individual life products.
Statement of financial position	Formerly referred to as the balance sheet.
Takaful	Islamic insurance which is based on the principles of mutual assistance and risk sharing.

Total weighted premium income (TWPI)	Total weighted premium income consists of 100% of renewal premiums, 100% of first year premiums and 10% of single premiums. As such it provides an indication of AIA's longer term business volumes as it smoothes the peaks and troughs in single premiums.
Underwriting	The process of examining, accepting or rejecting insurance risks, and classifying those accepted, in order to charge an appropriate premium for each accepted risk.
Universal life	A type of insurance product where the customer pays flexible premiums, subject to specified limits, which are accumulated in an account balance which are credited with interest at a rate either set by the insurer or reflecting returns on a pool of matching assets. The customer may vary the death benefit and the contract may permit the policyholder to withdraw the account balance, typically subject to a surrender charge.
Value of in-force business (VIF)	The VIF is the present value of projected after-tax statutory profits emerging in the future from the current in-force business less the cost arising from holding the required capital CoC to support the in-force business.
Value of new business (VONB)	VONB is the present value, measured at point of sale, of projected after-tax statutory profits emerging in the future from new business sold in the period less the cost of holding required capital in excess of regulatory reserves to support this business. VONB for AIA is stated after adjustments to reflect applicable Hong Kong reserving and capital requirements and the after-tax value of unallocated group office expenses. VONB by market is stated before adjustments to reflect applicable Hong Kong reserving and capital requirements and unallocated group office expenses, and presented on a local statutory basis.
VONB margin	VONB excluding corporate pension business, expressed as a percentage of ANP. VONB margin for AIA is stated after adjustments to reflect applicable Hong Kong reserving and capital requirements and the after-tax value of unallocated group office expenses. VONB margin by market is stated before adjustments to reflect applicable Hong Kong reserving and capital requirements and unallocated group office expenses, and presented on a local statutory basis.
Working capital	Working capital comprises debt and equity securities and cash and cash equivalents held at group office. These liquid assets are available to invest in building the Group's business operations.

AIA Group Limited
友邦保險控股有限公司

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